

100874

Doing Business 2016

Measuring Regulatory Quality and Efficiency

Economy Profile 2016

Uzbekistan



COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES



WORLD BANK GROUP

© 2016 The International Bank for Reconstruction and Development / The World Bank
1818 H Street NW, Washington, DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

Some rights reserved
1 2 3 4 18 17 16 15

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.



This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO). <http://creativecommons.org/licenses/by/3.0/igo>. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:

Attribution—Please cite the work as follows: World Bank. 2016. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC: World Bank Group. DOI: 10.1596/978-1-4648-0667-4. License: Creative Commons Attribution CC BY 3.0 IGO

Translations—If you create a translation of this work, please add the following disclaimer along with the attribution: *This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.*

Adaptations—If you create an adaptation of this work, please add the following disclaimer along with the attribution: *This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank.*

Third-party content—The World Bank does not necessarily own each component of the content contained within the work. The World Bank therefore does not warrant that the use of any third-party-owned individual component or part contained in the work will not infringe on the rights of those third parties. The risk of claims resulting from such infringement rests solely with you. If you wish to re-use a component of the work, it is your responsibility to determine whether permission is needed for that re-use and to obtain permission from the copyright owner. Examples of components can include, but are not limited to, tables, figures or images.

All queries on rights and licenses should be addressed to the Publishing and Knowledge Division, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

ISBN (paper): 978-1-4648-0667-4
ISBN (electronic): 978-1-4648-0668-1
DOI: 10.1596/978-1-4648-0667-4
ISSN: 1729-2638

Cover design: Corporate Visions, Inc.

CONTENTS

Introduction	4
Starting a business	16
Dealing with construction permits.....	23
Getting electricity.....	38
Registering property.....	48
Getting credit.....	60
Protecting minority investors.....	66
Paying taxes.....	73
Trading across borders	78
Enforcing contracts	85
Resolving insolvency.....	93
Labor market regulation	101
Distance to frontier and ease of doing business ranking.....	107
Resources on the <i>Doing Business</i> website	111

INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2016* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Uzbekistan. To allow useful comparison, it

also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2015 (except for the paying taxes indicators, which cover the period January–December 2014).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2016* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2016*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2016*

As part of a two-year update in methodology, *Doing Business 2016* expands the focus of five indicator sets (dealing with construction permits, getting electricity, registering property, enforcing contracts and labor market regulation), substantially revises the methodology for one indicator set (trading across borders) and implements small updates to the methodology for another (protecting minority investors).

The indicators on dealing with construction permits now include an index of the quality of building regulation and its implementation. The getting electricity indicators now include a measure of the price of electricity consumption and an index of the reliability of electricity supply and transparency of tariffs. Starting this year, the registering property indicators include an index of the quality of the land administration system in each economy in addition to the indicators on the number of procedures and the time and cost to transfer property. And for enforcing contracts an index of the quality and efficiency of judicial processes has been added while the indicator on the number of procedures to enforce a contract has been dropped.

The scope of the labor market regulation indicator set has also been expanded, to include more areas capturing aspects of job quality. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

The case study underlying the trading across borders indicators has been changed to increase its relevance. For each economy the export product and partner are now determined on the basis of the economy's comparative advantage, the import product is auto parts, and the import partner is selected on the basis of which economy has the highest trade value in that product. The indicators continue to measure the time and cost to export and import.

Beyond these changes there is one other update in methodology, for the protecting minority investors indicators. A few points for the extent of shareholder governance index have been fine-tuned, and the index now also measures aspects of the regulations applicable to limited companies rather than privately held joint stock companies.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 27 of the *Doing Business 2016* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 119 of the *Doing Business 2016* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2016*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

ECONOMY OVERVIEW

Region: Europe & Central Asia

Income category: Lower middle income

Population: 30,742,500

GNI per capita (US\$): 2,090

DB2016 rank: 87

DB2015 rank: 103*

Change in rank: 16

DB 2016 DTF: 62.6

DB 2015 DTF: 58.81

Change in DTF: 3.79

* DB2015 ranking shown is not last year's published ranking but a comparable ranking for DB2015 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 119 of the *Doing Business 2016* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



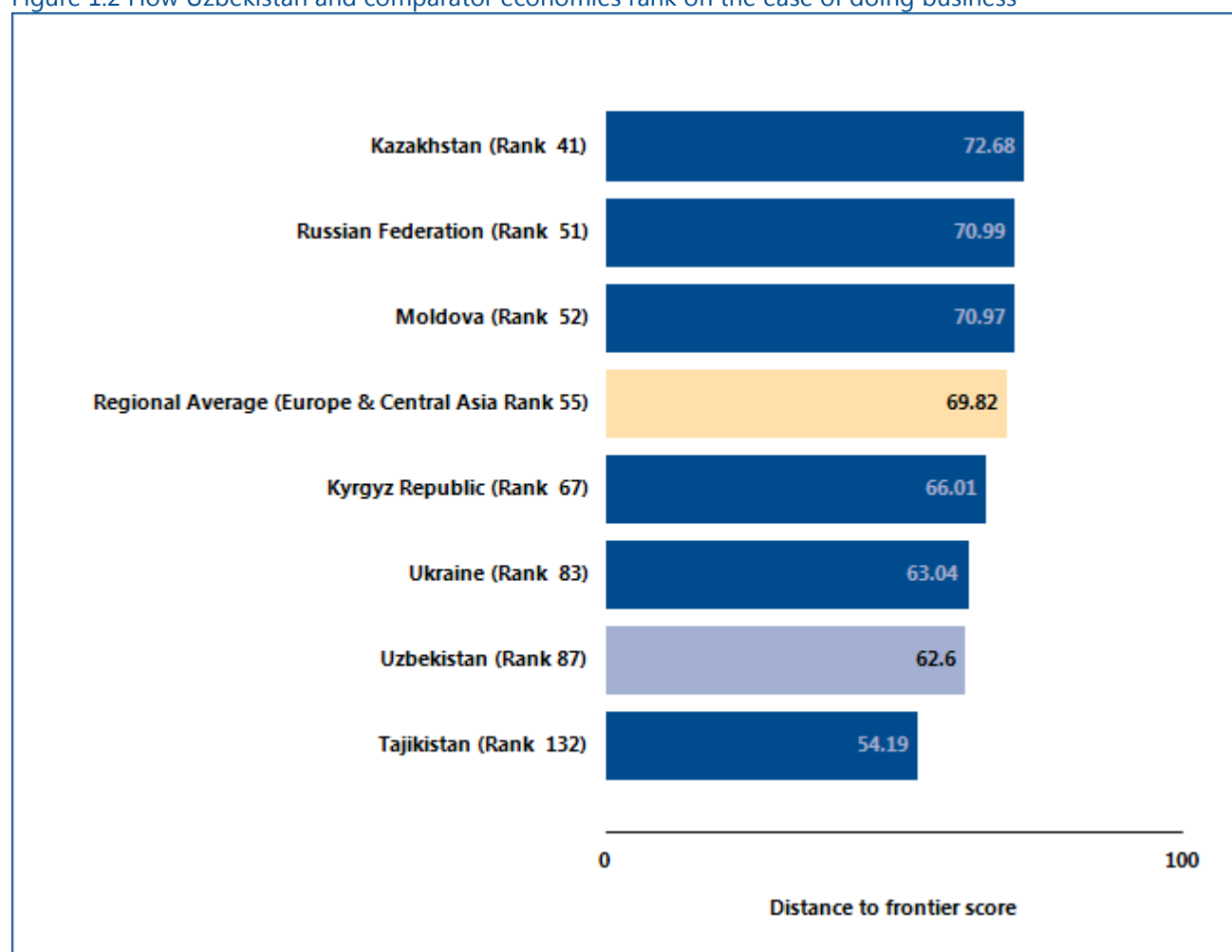
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Uzbekistan and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Uzbekistan

(Scale: Rank 189 center, Rank 1 outer edge)

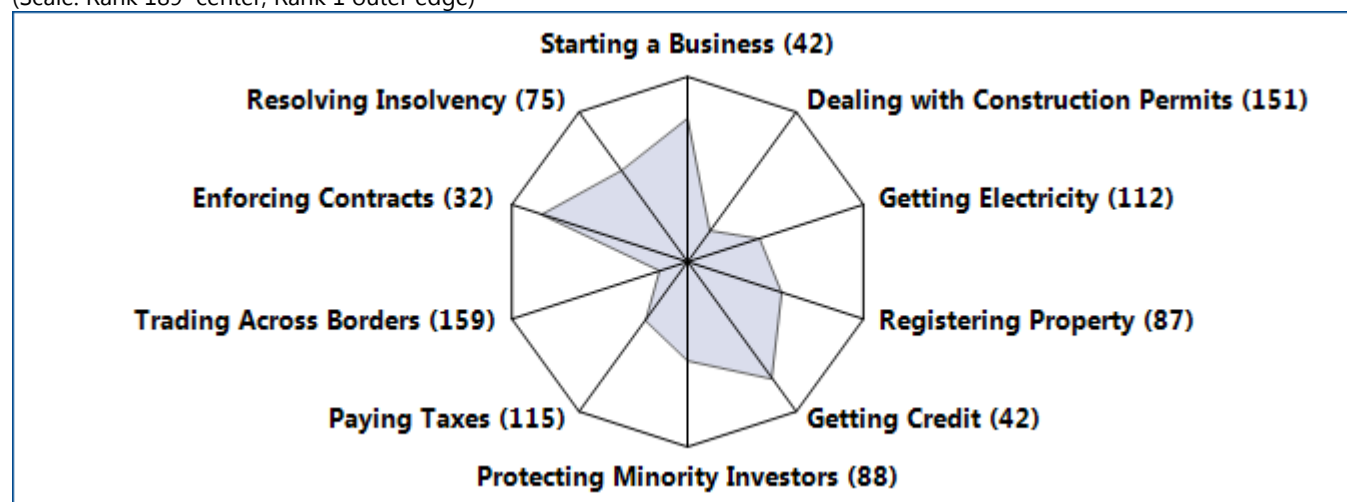
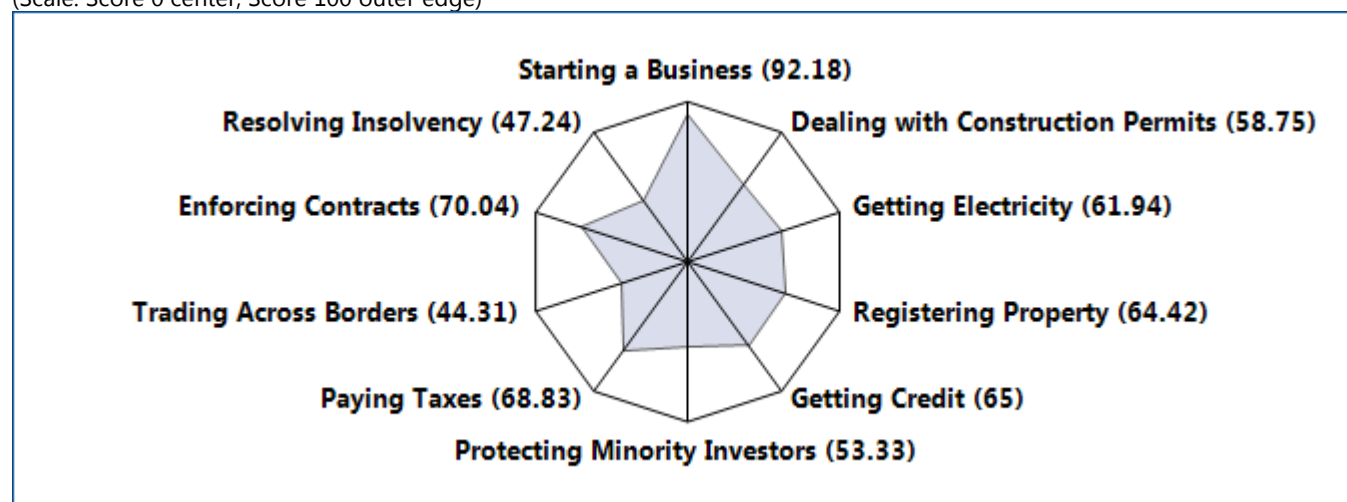


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Uzbekistan

(Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

Note: The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

THE BUSINESS ENVIRONMENT

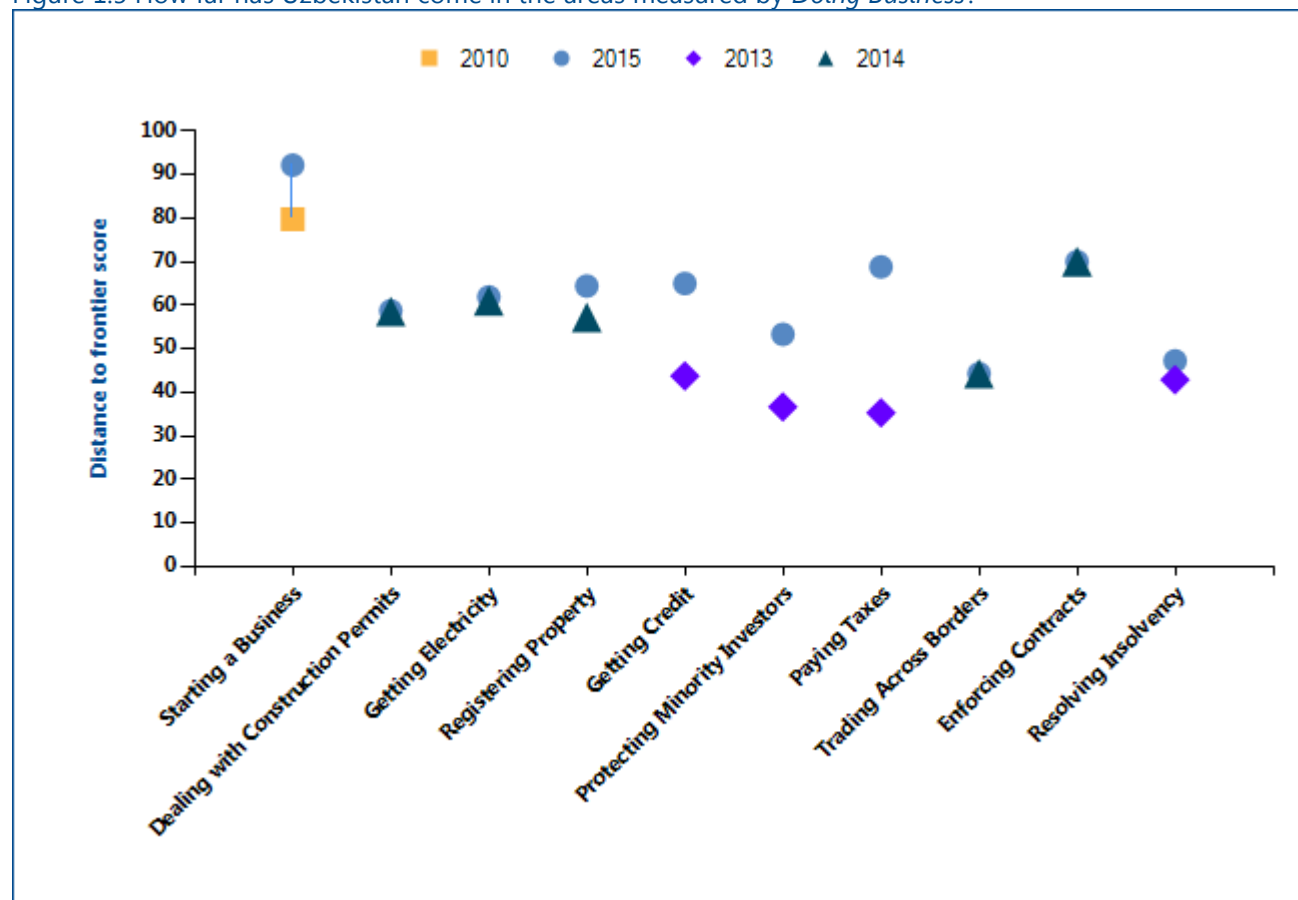
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Uzbekistan come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Starting a business is comparable to 2010. Getting credit, protecting minority investors, paying taxes and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, registering property, trading across borders, enforcing contracts and getting electricity had methodology changes in 2015 and thus are only comparable to 2014. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 119 of the *Doing Business 2016* report for more details on the distance to frontier score. *Source:* *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Uzbekistan

Indicator	Uzbekistan DB2016	Uzbekistan DB2015	Kazakhstan DB2016	Kyrgyz Republic DB2016	Moldova DB2016	Russian Federation DB2016	Tajikistan DB2016	Ukraine DB2016	Best performer globally DB2016
Starting a Business (rank)	42	64	21	35	26	41	57	30	New Zealand (1)
Starting a Business (DTF Score)	92.18	88.75	94.44	92.94	94.17	92.35	90.26	93.88	New Zealand (99.96)
Procedures (number)	5.0	7.0	4.0	4.0	4.0	4.4	4.0	4.0	New Zealand (1.00)*
Time (days)	6.5	8.5	5.0	10.0	4.0	10.5	11.0	7.0	New Zealand (0.50)
Cost (% of income per capita)	3.4	3.3	0.1	2.1	4.3	1.1	21.5	0.6	Slovenia (0.00)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	105 Economies (0.00)*
Dealing with Construction Permits (rank)	151	149	92	20	170	119	152	140	Singapore (1)
Dealing with Construction Permits (DTF Score)	58.75	58.55	68.38	79.98	51.59	65.23	57.98	61.36	Singapore (92.97)
Procedures (number)	23.0	23.0	24.0	11.0	27.0	19.0	27.0	10.0	5 Economies (7.00)*

Indicator	Uzbekistan DB2016	Uzbekistan DB2015	Kazakhstan DB2016	Kyrgyz Republic DB2016	Moldova DB2016	Russian Federation DB2016	Tajikistan DB2016	Ukraine DB2016	Best performer globally DB2016
Time (days)	176.0	176.0	154.0	142.0	276.0	263.5	242.0	67.0	Singapore (26.00)
Cost (% of warehouse value)	4.0	4.1	1.4	1.9	0.7	1.6	2.2	15.2	Qatar (0.00)
Building quality control index (0-15)	10.5	10.5	14.0	13.0	10.5	14.0	14.0	8.0	New Zealand (15.00)
Getting Electricity (rank)	112	108	71	160	104	29	177	137	Korea, Rep. (1)
Getting Electricity (DTF Score)	61.94	61.03	74.03	43.95	64.36	84.22	34.79	54.84	Korea, Rep. (99.88)
Procedures (number)	7.0	7.0	6.0	7.0	7.0	3.0	9.0	5.0	14 Economies (3.00)*
Time (days)	89.0	89.0	83.0	125.0	113.0	160.5	133.0	263.0	Korea, Rep. (18.00)*
Cost (% of income per capita)	1,393.1	1,688.1	51.2	891.8	778.3	93.1	878.9	795.3	Japan (0.00)
Reliability of supply and transparency of tariff index (0-8)	5.0	5.0	6.0	0.0	6.0	8.0	0.0	5.0	18 Economies (8.00)*
Registering Property (rank)	87	113	19	6	21	8	102	61	New Zealand (1)
Registering Property (DTF Score)	64.42	57.24	83.17	90.59	82.91	90.51	60.78	69.44	New Zealand (94.46)
Procedures (number)	9.0	12.0	3.0	3.0	5.0	3.0	6.0	7.0	4 Economies (1.00)*
Time (days)	46.0	55.0	4.5	3.5	5.5	15.0	37.0	23.0	3 Economies (1.00)*
Cost (% of property value)	1.4	1.3	0.1	0.2	0.9	0.2	3.4	2.0	Saudi Arabia (0.00)
Quality of the land administration index (0-30)	16.5	16.5	15.5	24.5	22.0	26.0	7.5	15.5	3 Economies (28.50)*

Indicator	Uzbekistan DB2016	Uzbekistan DB2015	Kazakhstan DB2016	Kyrgyz Republic DB2016	Moldova DB2016	Russian Federation DB2016	Tajikistan DB2016	Ukraine DB2016	Best performer globally DB2016
Getting Credit (rank)	42	105	70	28	28	42	109	19	New Zealand (1)
Getting Credit (DTF Score)	65	40	55	70	70	65	40	75	New Zealand (100)
Strength of legal rights index (0-12)	6.0	1.0	4.0	8.0	8.0	6.0	1.0	8.0	3 Economies (12.00)*
Depth of credit information index (0-8)	7.0	7.0	7.0	6.0	6.0	7.0	7.0	7.0	26 Economies (8.00)*
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Portugal (100.00)
Credit bureau coverage (% of adults)	19.4	17.8	81.4	35.3	10.8	70.2	15.9	36.7	22 Economies (100.00)*
Protecting Minority Investors (rank)	88	87	25	36	36	66	29	88	Singapore (1)*
Protecting Minority Investors (DTF Score)	53.33	53.33	66.67	63.33	63.33	56.67	65	53.33	Singapore (83.33)*
Strength of minority investor protection index (0-10)	5.3	5.3	6.7	6.3	6.3	5.7	6.5	5.3	3 Economies (8.30)*
Extent of conflict of interest regulation index (0-10)	5.7	5.7	7.7	6.7	6.3	5.0	6.7	4.0	Singapore (9.30)*
Extent of shareholder governance index (0-10)	5.0	5.0	5.7	6.0	6.3	6.3	6.3	6.7	4 Economies (8.00)*
Paying Taxes (rank)	115	117	18	138	78	47	172	107	United Arab Emirates (1)*
Paying Taxes (DTF Score)	68.83	68.36	89.18	62.94	76.28	81.6	43.53	70.69	United Arab Emirates (99.44)*
Payments (number per	33.0	33.0	7.0	51.0	21.0	7.0	28.0	5.0	Hong Kong SAR,

Indicator	Uzbekistan DB2016	Uzbekistan DB2015	Kazakhstan DB2016	Kyrgyz Republic DB2016	Moldova DB2016	Russian Federation DB2016	Tajikistan DB2016	Ukraine DB2016	Best performer globally DB2016
year)									China (3.00)*
Time (hours per year)	192.5	192.5	188.0	225.0	186.0	168.0	276.0	350.0	Luxembourg (55.00)
Total tax rate (% of profit)	41.1	42.1	29.2	29.0	40.2	47.0	81.8	52.2	Ireland (25.90)
Trading Across Borders (rank)	159	158	122	83	33	170	132	109	Denmark (1)*
Trading Across Borders (DTF Score)	44.31	44.31	60.39	72.25	92.39	37.39	57.05	63.72	Denmark (100)*
Time to export: Border compliance (hours)	112	112	133	27	3	96	75	26	15 Economies (0.00)*
Cost to export: Border compliance (USD)	278	278	574	485	76	1,125	313	75	18 Economies (0.00)*
Time to export: Documentary compliance (hours)	174	174	132	24	48	43	66	96	Jordan (0.00)
Cost to export: Documentary compliance (USD)	292	292	430	190	44	500	330	292	20 Economies (0.00)*
Time to import: Border compliance (hours)	111	111	2	37	3	96	108	52	19 Economies (0.00)*
Cost to import: Border compliance (USD)	278	278	0	512	83	1,125	223	100	28 Economies (0.00)*
Time to import: Documentary compliance (hours)	174	174	6	36	2	43	126	168	21 Economies (1.00)*
Cost to import: Documentary compliance (USD)	292	292	0	200	41	500	260	292	30 Economies (0.00)*
Enforcing Contracts	32	32	9	137	67	5	54	98	Singapore (1)

Indicator	Uzbekistan DB2016	Uzbekistan DB2015	Kazakhstan DB2016	Kyrgyz Republic DB2016	Moldova DB2016	Russian Federation DB2016	Tajikistan DB2016	Ukraine DB2016	Best performer globally DB2016
(rank)									
Enforcing Contracts (DTF Score)	70.04	70.04	76.62	49.49	60.87	78.56	63.49	57.11	Singapore (84.91)
Time (days)	225.0	225.0	370.0	410.0	585.0	307.0	430.0	378.0	Singapore (150.00)
Cost (% of claim)	20.5	20.5	22.0	47.0	28.6	16.5	25.5	46.3	Iceland (9.00)
Quality of judicial processes index (0-18)	7.5	7.5	13.5	4.5	9.5	12.5	8.0	8.0	3 Economies (15.50)*
Resolving Insolvency (rank)	75	75	47	126	60	51	147	141	Finland (1)
Resolving Insolvency (DTF Score)	47.24	46.45	58.97	34.66	53.85	58.39	29.04	31.05	Finland (93.81)
Recovery rate (cents on the dollar)	41.3	39.9	42.8	38.3	30.4	41.7	36.5	8.3	Japan (92.90)
Time (years)	2.0	2.0	1.5	1.5	2.8	2.0	1.7	2.9	Ireland (0.40)
Cost (% of estate)	10.0	10.0	15.0	15.0	15.0	9.0	9.0	42.0	Norway (1.00)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	0	0	0	0	0	
Strength of insolvency framework index (0-16)	8.0	8.0	11.5	4.5	12.0	11.5	3.0	8.5	4 Economies (15.00)*

Source: *Doing Business* database.

Note: DB2015 rankings shown are not last year's published rankings but comparable rankings for DB2015 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. * Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent), located in the largest business city and is 100% domestically owned¹ with five owners, none of whom is a legal entity.
- Has at least 10 and up to 50 employees, all of them domestic nationals.
- Performs general commercial or industrial activities.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city¹
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita and a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.
- Does not qualify for any special benefits.
- Leases the commercial plant or offices and is not a proprietor of real estate.

¹ For 11 economies the data are also collected for the second largest business city.

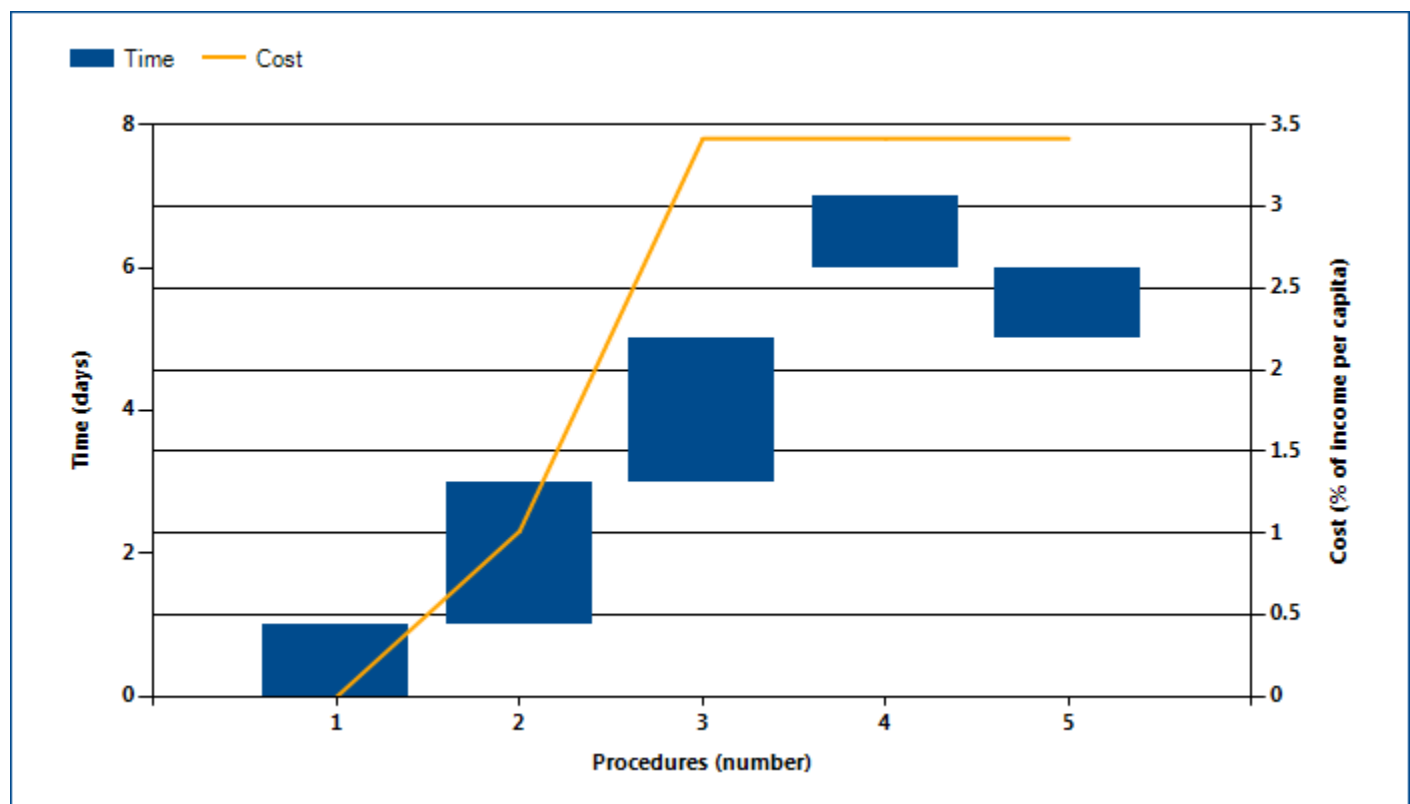
STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in Uzbekistan? According to data collected by *Doing Business*, starting a business there requires 5.00 procedures, takes 6.50 days, costs 3.40% of income per capita and requires paid-in minimum capital of 0.00% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Uzbekistan
Paid-in minimum capital (% of income per capita): 0.00



Source: *Doing Business* database.

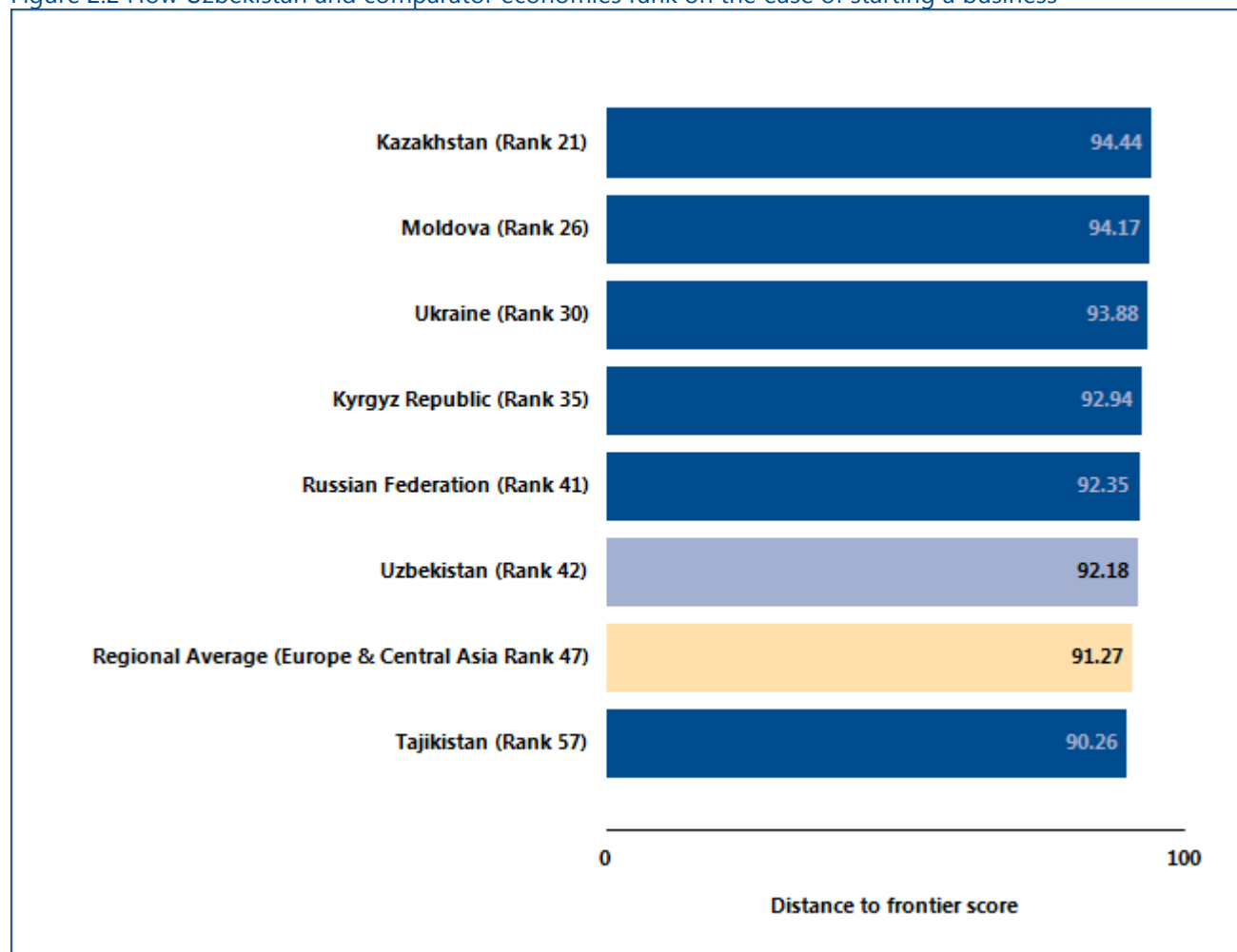
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

STARTING A BUSINESS

Globally, Uzbekistan stands at 42 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Uzbekistan to start a business.

Figure 2.2 How Uzbekistan and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Uzbekistan (table 2.1)?

Table 2.1 How has Uzbekistan made starting a business easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2012	Uzbekistan made starting a business easier by reducing the minimum capital requirement, eliminating 1 procedure and reducing the cost of registration.
DB2013	Uzbekistan made starting a business easier by introducing an online facility for name reservation and eliminating the fee to open a bank account for small businesses.
DB2014	Uzbekistan made starting a business easier by abolishing the paid-in minimum capital requirement and by eliminating the requirement to have signature samples notarized before opening a bank account.
DB2016	Uzbekistan made starting a business easier by introducing an online one-stop shop and streamlining registration procedures.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Uzbekistan is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Limited Liability Company

Paid-in minimum capital requirement: UZS 0

City: Tashkent

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Uzbekistan

No.	Procedure	Time to complete	Cost to complete
1	<p>Register the name of the company</p> <p>There has been an online system for company name registration since June 1, 2011, pursuant to the Decree of the President of the Republic of Uzbekistan "On measures on further improvement of order of organization and state registration of subjects of entrepreneurship" # PP 1529 dated May 12, 2011. The applicant submits the application through the website, and after 4 hours the agency will provide the answer of whether or not the chosen name can be registered. The agency will then reserve the name for the applicant. This reservation is valid for 60 days.</p> <p><i>Agency: State Statistic Committee</i></p>	Less than one day (online procedure)	no charge
2	<p>Make a company seal</p> <p>The company's seal must be made by a specialized seal-making company. The cost starts at UZS 50,000.</p> <p>First company founders need to obtain a design from a seal company. Then the design is submitted to the Inspectorate for Registration of Entrepreneurial Entities (Khokimiyat) during procedure 3, and the agency issues an authorization of final seal, which incorporates the proposed designed.</p> <p><i>Agency: Specialized seal-making company</i></p>	2 days	UZS 50,000

No.	Procedure	Time to complete	Cost to complete
3	<p>Register with the local authority (khokimiyat) and obtain the certificate of state registration</p> <p>The company must register with relevant local authority (khokimiyat), which can be done online at: https://my.gov.uz/ru/service/214 or in person.</p> <p>In case of electronic registration, the company founders must fill out the forms, scan and attach supporting documents, and send in electronic request to the government's IT system.</p> <p>The following documents must be submitted:</p> <ul style="list-style-type: none"> • standard application form; • two counterparts of the constitutive documents: the shareholders agreement and the charter (for LLC). Please note that the requirement to notarize the constitutive documents for the procedure of state registration has been eliminated in Uzbekistan for companies owned by domestic founders. Also note that domestic companies may be registered basing on the standard form of constitutive documents. • a bank receipt confirming payment of the state registration fee; • the proposed seal design prepared by a private company, approved at the first meeting of the company; • the unique login and password, confirming reservation of the company's name in the centralized database. <p>After the documents are received, an analyst must verify the documents submitted. If the documents are satisfactory, the analyst must</p> <ul style="list-style-type: none"> • assign the company a statistical code (according to the National Nomenclature of Enterprises and Organizations) and a taxpayer identification number; • certify the samples of company's seal and stamp; • register the LLC in the State Register of Legal Entities; • issue certificate on the state registration of the LLC. <p>The registration process typically takes 48 hours. Upon issuing the company's official registration certificate, the registering agency must grant an original charter and foundation agreement with a registration note on the title page, along with all registration documents and permits filed with the one-stop system.</p> <p>In case the local registering authority finds the documents submitted for registration unsatisfactory, it shall make a decision on refusal to register the LLC and submit such decision to the applicant within 3 working hours of the time the documents were submitted for registration.</p> <p>After the LLC is registered, the local registering authority automatically provides the data on the registered LLC to the state statistics authorities, state tax authorities, and internal affairs agencies at place of location of the LLC.</p> <p><i>Agency: Inspectorate for Registration of Entrepreneurial Entities (Khokimiyat)</i></p>	2 days	UZS 118,400 (equal to one minimum wage salary)

No.	Procedure	Time to complete	Cost to complete
4	<p>Open a permanent bank account with a local bank</p> <p>Companies open bank accounts in order to conduct official business, and because in practice Tax Authorities expect a notification regarding company's corporate account number. In addition corporate bank account is required for notification of Xalq bank.</p> <p>The documents required to open a permanent bank account are:</p> <ul style="list-style-type: none"> a. Decision of the newly registered company on nomination of the director of the company and the accountant. b. Copy of the registration certificate (Guvokhnoma) c. Founding documents of the company (e.g. copy of Founding agreement) <p><i>Agency: Commercial Bank</i></p>	1 day	no charge
5	<p>* Register with the National Bank (Xalq Bank)</p> <p>Per government legislation, it is the responsibility of companies to notify the National Bank (Xalq Bank) of all new employment contracts concluded with employees for the purposes of pension deductions. It is mandatory for all employees to participate in the national pension scheme, which requires active contributions to the employees' personal pension accounts at the Xalq Bank.</p> <p>The required documents to register with Xalq Bank include:</p> <ul style="list-style-type: none"> a) permanent bank account information; b) the decision on the nomination of the director of the company; c) Govokhnoma (registration certificate); d) any other founding documents. <p><i>Agency: The National Bank (Xalq Bank)</i></p>	1 day (simultaneous with procedure 4)	no charge

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least one employee who is a licensed architect or engineer and registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

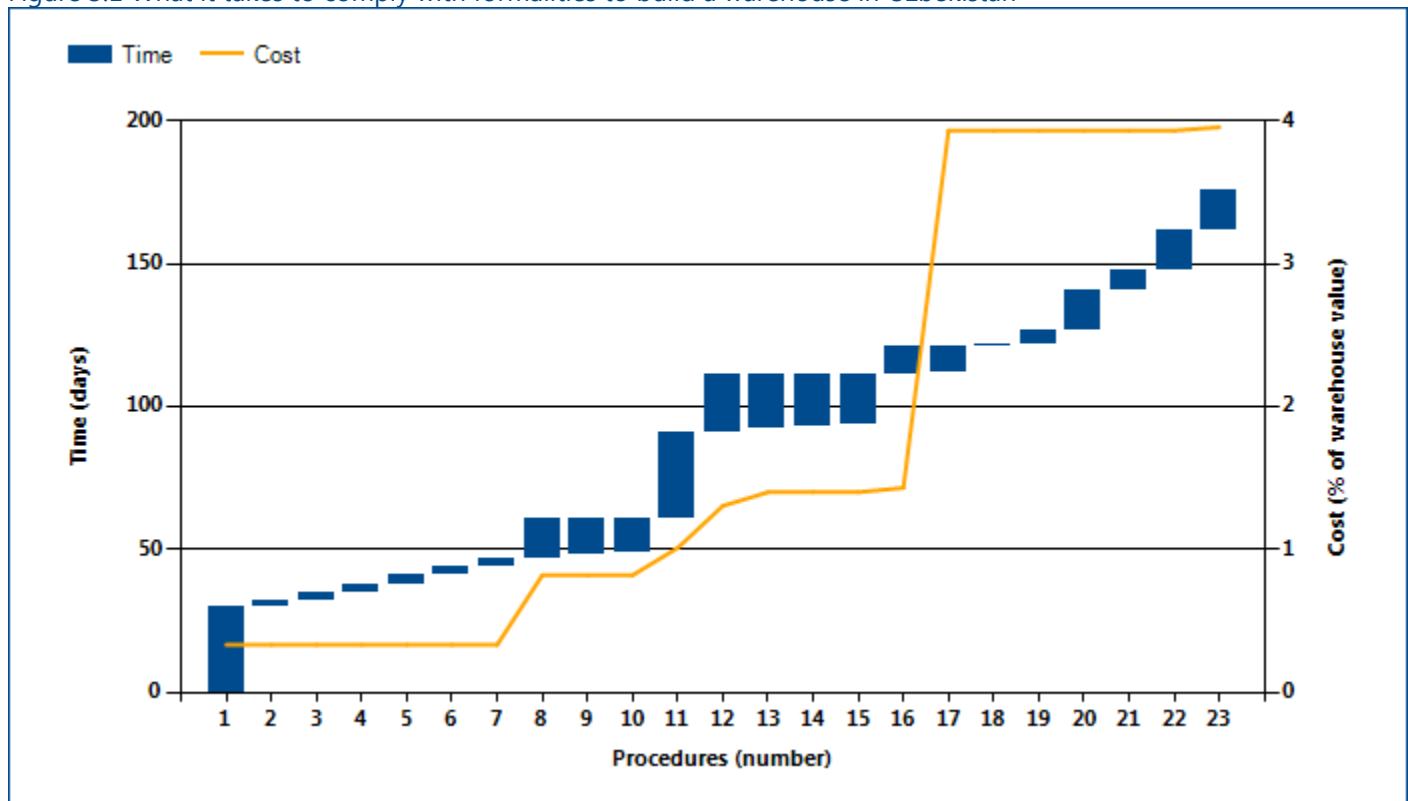
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Uzbekistan? According to data collected by *Doing Business*, dealing with construction permits there requires 23.00 procedures, takes 176.00 days and costs 4.00% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Uzbekistan



Source: *Doing Business* database.

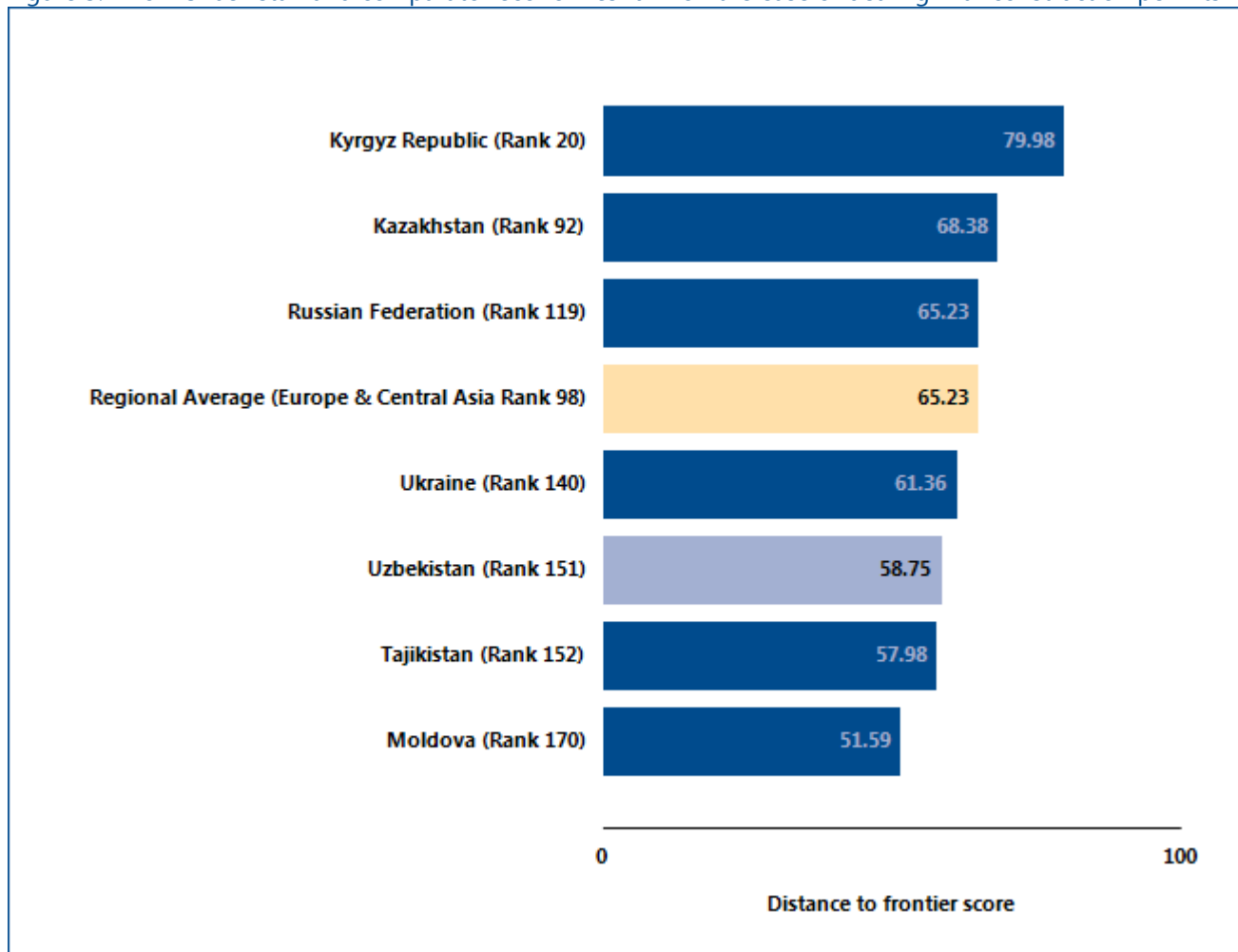
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

DEALING WITH CONSTRUCTION PERMITS

Globally, Uzbekistan stands at 151 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Uzbekistan to legally build a warehouse.

Figure 3.2 How Uzbekistan and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In

an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Uzbekistan (table 3.1)?

Table 3.1 How has Uzbekistan made dealing with construction permits easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2011	Uzbekistan increased all fees for procedures relating to construction permits.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Uzbekistan are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated value of warehouse : **UZS 246,516,906**

City : **Tashkent**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Uzbekistan

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain land clearance from Tashkent City Hokimiyat (submission of an application for a land plot and of approved materials)</p> <p>BuildCo applies to the Hokimiyat of Tashkent for the land allotment. In the application BuildCo must specify the purpose for which the land is required, its location and size, the approximate dates of commencement and completion of construction, details of a legal entity or an individual passport data.</p> <p>The Hokimiyat forwards the application to the Main Department of Architecture and Construction (Главное Управление Архитектуры и Строительства – GUAS) for consideration. Main Department of Architecture and Construction will send the head architect of the district where the warehouse is planned to conduct an on-site inspection. The head architect of the district will prepare a map of 1/2000 scale for the land plot. Once the map is prepared, GUAS establishes a land commission to consider the land allotment case. The land commission consists of different agencies including engineering communications, utilities and government agencies. The land commission gets together every week to examine the cases and approve the decision. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle; however, in practice the building company obtains the approvals by itself.</p> <p>After the land allotment document is signed and approved by all members of the commission, the Hokimiyat has to send the application package to the Tashkent General Plan (Tashgenplan) for obtaining their approval. This is needed because Tashkent has a general plan and any new construction has to meet the zoning rules and architectural norms set by the General Plan. GenPlan will approve the land allotment application and send it back to GUAS, which will forward the application to the Hokimiyat. There is a separate commission at the Hokimiyat that</p>	30 days	UZS 826,000

No.	Procedure	Time to complete	Cost to complete
	<p>will do the signing in about 1 week. After that, the Hokimiyat will forward the application to the Cabinet of Ministers of the Republic of Uzbekistan for final approval. The final approval is obtained from the Cabinet of Ministers.</p> <p>According the the Government Resolution No. 150 from May 2013, the cost for the land allotment is the following:</p> <ol style="list-style-type: none"> 1. Land selection - For the preparation and coordination of materials for selection of land: 2.5 * minimal salary 2. For the preparation and approval of materials for the allotment of land: 2 * minimal salary 3. For work on the stakeout of land boundaries: 2 * minimal salary 4. For state registration of rights to land: 0.5 * minimal salary <p>Total: 7 * minimal salary</p> <p><i>Agency: District Governor's Office</i></p>		
2	<p>Register the land plot's precise location (red lines) by "UzGASHKLITI"</p> <p>A specialized agency draws the precise location of the land plot on a map (usually in red color, hence the name "red lines").</p> <p><i>Agency: State Design Research Institute of Engineering Studies in Construction, Geoinformatics and Urban Cadastre - "UzGASHKLITI"</i></p>	2 days	no charge
3	<p>Obtain approval of the land allotment decision from the electricity provider</p> <p>Main Department of Architecture and Construction (GUAS) issues a document that specifies all agencies which have to provide approval for the land allotment decision. BuildCo has to take that document and obtain approvals from the specified agencies. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle, however, in practice the building company obtains the approvals by itself.</p> <p><i>Agency: Tashkent City Electric Network Enterprise OJSC</i></p>	3 days	no charge
4	<p>Obtain approval of the land allotment decision from the water and sewage company</p> <p>Main Department of Architecture and Construction (GUAS) issues a document that specifies all agencies which have to provide approval for the land allotment decision. BuildCo has to take that document and obtain approvals from the specified agencies. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle, however, in practice the building company obtains the approvals by itself.</p>	3 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Water and Sewerage Authority</i>		
5	<p>Obtain approval of the land allotment decision from the sanitary and epidemiological agency</p> <p>Main Department of Architecture and Construction (GUAS) issues a document that specifies all agencies which have to provide approval for the land allotment decision. BuildCo has to take that document and obtain approvals from the specified agencies. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle, however, in practice the building company obtains the approvals by itself.</p> <p><i>Agency: State Sanitation and Epidemic Supervision Authority</i></p>	3 days	no charge
6	<p>Obtain approval of the land allotment decision from the fire safety agency</p> <p>Main Department of Architecture and Construction (GUAS) issues a document that specifies all agencies which have to provide approval for the land allotment decision. BuildCo has to take that document and obtain approvals from the specified agencies. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle, however, in practice the building company obtains the approvals by itself.</p> <p><i>Agency: State Fire Safety Supervision Agency</i></p>	3 days	no charge
7	<p>Obtain approval of the land allotment decision from the Ministry of Emergency Situations</p> <p>Main Department of Architecture and Construction (GUAS) issues a document that specifies all agencies which have to provide approval for the land allotment decision. BuildCo has to take that document and obtain approvals from the specified agencies. By law, these approvals have to be obtained by the GUAS in a one-stop shop principle, however, in practice the building company obtains the approvals by itself.</p> <p><i>Agency: Ministry of Emergency Situations</i></p>	3 days	no charge
8	<p>Request and obtain developed geologic and topographic maps of land plot</p> <p>The construction and architecture department of the city must, within 18 working days, develop the geodesic/topographic map of the land plot through Main Department of Architecture and Construction. In Tashkent, the maps are developed by State Enterprise for Engineer and Geological Research (ГУП</p>	14 days	UZS 1,200,000

No.	Procedure	Time to complete	Cost to complete
	<p>«УзГАСХКЛИТИ» "). However, in practice the building company has to obtain these maps.</p> <p>The technical conditions for connecting to utilities and the architectural planning terms (APZ) can be obtained in parallel with map development.</p> <p><i>Agency: State Design Research Institute of Engineering Studies in Construction, Geoinformatics and Urban Cadastre - "UzGAShKLITI"</i></p>		
9	<p>* Request and obtain technical conditions for the connection to water and sewerage</p> <p>BuildCo must obtain technical terms for the connection to the water and sewerage systems. The terms are necessary for preparing project documentation.</p> <p>BuildCo must submit the following information to the local water and sewerage authority:</p> <ul style="list-style-type: none"> • For water: the load of water demand, the calculation of water height, and the expected date of commencement of water consumption • For sewerage: the calculation of sewage volume, qualitative composition of the sewage, specification of whether the any plans for internal treatment, and the expected date the sewerage system is to be put into operation <p>By law, this procedure should be completed in 3 business days. However, in practice, it takes longer.</p> <p><i>Agency: Water and Sewerage Authority</i></p>	7 days	no charge
10	<p>* Request and obtain technical conditions from the electricity provider company</p> <p>BuildCo has to obtain technical conditions from the electricity provider. The technical conditions are necessary for preparing project documentation.</p> <p><i>Agency: Tashkent City Electric Network Enterprise OJSC</i></p>	10 days	no charge
11	<p>Request and obtain architectural and technical objectives</p> <p>Based on the terms for designing the building in accordance with engineering supply norms and regulations, the technical conditions, and the decision of the Hokimat on the land plot (all provided by the department on architecture and construction of the city), the Main Department of Architecture and Construction develops the architectural planning terms (APZ, parts I and II).</p> <p>The fee is established by Government Resolution No. 150 (dated May 30, 2013) was set at 4 MMW.</p>	30 days	UZS 472,000

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Main Department of Architecture and Construction</i>		
12	<p>Request ecological examination</p> <p>BuildCo should submit the project and pre-project documentation for ecological examination to a private expert firm. The expert firm will provide the examination and will also obtain the conclusion from the State Ecological Examination body of the Committee on the Protection of Nature of the city of Tashkent. This document is necessary for subsequent submission to the territorial Inspection of State Architectural Building Supervision of the city of Tashkent.</p> <p><i>Agency: Private Licensed Organization</i></p>	20 days	UZS 725,000
13	<p>* Request and obtain examination of project documents on their compliance with fire safety and seismic stability</p> <p>BuildCo must submit the construction plans for state examination on their compliance with fire safety and earthquake stability.</p> <p><i>Agency: State Architectural and Construction Inspection (GASN)</i></p>	14 days	UZS 236,000
14	<p>* Request and obtain sanitation clearance for the project</p> <p>BuildCo must obtain project clearance from the state sanitation and epidemic supervision authority.</p> <p><i>Agency: State Sanitation and Epidemic Supervision Authority</i></p>	14 days	no charge
15	<p>* Request and obtain project clearance from the local water and sewerage authority</p> <p>BuildCo must obtain project clearance from the local water and sewerage authority. This authority checks whether the project and other relevant documentation conform to construction rules and technical terms. BuildCo enters into a contract with the local water and sewerage authority on technical supervision of the construction.</p> <p><i>Agency: Water and Sewerage Authority</i></p>	7 days	no charge
16	<p>Request and obtain construction permit from State Architectural and Construction Inspection (GASN)</p> <p>The permit for construction works is issued by the local branch of the architecture and construction authority. Although the permit</p>	10 days	UZS 73,955

No.	Procedure	Time to complete	Cost to complete
	<p>should be issued within 5 days, in practice it takes longer.</p> <p>An inspector from the local branch of the architecture and construction authority undertakes oversight of the construction. There is no permit application fee. However, for the oversight/inspection phase, the company enters into a contract with the authority at a cost of 0.03% of the value of the warehouse.</p> <p>The company must submit the following documents:</p> <ul style="list-style-type: none"> • Application form • Positive evaluation summary from the public examination bodies on the working project • Copy of the general plan and elevations of the building approved by the architectural bodies, or the protocol of the Town-Planning Council of the Main Department on Architecture and Construction of the city of Tashkent • Address list of construction sites <p>The Inspectorate registers the construction project and issues the building permit. BuildCo starts construction of the warehouse and notifies the Inspectorate of the commencement of works within a month of receiving the building permit.</p> <p><i>Agency: State Architectural and Construction Inspection (GASN)</i></p>		
17	<p>* Hire a technical supervision company for construction supervision</p> <p>There are three levels of construction supervision in Uzbekistan: (1) internal supervision or author's supervision, (2) technical supervision conducted by an external firm and (3) government supervision. The technical supervision companies usually charge around 2-3% of the construction costs.</p> <p><i>Agency: Private construction supervision company</i></p>	1 day	UZS 6,162,923
18	<p>Receive inspection from the State Architectural and Construction Inspection (GASN)</p> <p>Inspection is carried out by State Architectural and Construction Inspection (GASN). GASN will assign one inspector for the specific construction who will be responsible for conducting the inspections throughout the construction period.</p> <p><i>Agency: State Architectural and Construction Inspection (GASN)</i></p>	1 day	no charge
19	<p>Connect to water and sewerage services</p> <p><i>Agency: Water and Sewerage Authority</i></p>	5 days	no charge

No.	Procedure	Time to complete	Cost to complete
20	<p>Call and establish Working Commission and submit documents to the Commission</p> <p>After completion of the construction works, BuildCo requests the creation of a Working Commission composed of the representatives of district architects, the sanitation supervision authority, the state fire supervision authority, the ministry on emergency situations, the city committee on nature protection, and others.</p> <p>The timeframe under the Construction rules, registered by Ministry of Justice No.545, for establishing Working Commission is 5 working days. However, in practice it takes 14 days, as the Commission only meets once every two weeks and in case the file doesn't make it to the first meeting, it would almost certainly be reviewed at the second one.</p> <p>BuildCo must submit the following documents to the Working Commission:</p> <ul style="list-style-type: none"> • The list of organizations that participated in the building and construction works, along with the type of work done by these organizations, the family names of the responsible engineers and technical employees • The full set of design drawings of the property developed by the project organizations • Certificates, technical passports, and other documents certifying the quality and safety of the materials, constructions, and details used in the building and construction works • Other relevant documents <p><i>Agency: Working Commission</i></p>	14 days	no charge
21	<p>Receive inspection and obtain certificate of completion from Working Commission</p> <p>After the inspection, an act of acceptance is drafted and endorsed by all members in no more than 5 working days.</p> <p>The Working Commission will inspect, among other things:</p> <ul style="list-style-type: none"> • The compliance of the building and construction works with the requirements on labor protection, fire safety, environment protection, and its prevention of human-caused emergency situations, and so forth • The separate constructions and units of the warehouse <p>If its findings are favorable, the commission then accepts the construction for subsequent presentation to the State Acceptance Board.</p>	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>The Working Commission issues the following:</p> <ul style="list-style-type: none"> • The certificate of allowable concentration of radon in the completed constructions • The certificate of acceptance of the temporary buildings and constructions • The certificate of readiness of the construction for presentation to the State Acceptance Board <p><i>Agency: Working Commission</i></p>		
22	<p>Request and obtain certificate of acceptance from the Tashkent City Hokimat</p> <p>The Hokim (the head of the city government) decides whether to approve the Working Commission's act of acceptance within 2 days. However, in practice, this takes longer. There is no fee involved. The decision of Hokim is further needed for registering the building with the cadastre authorities.</p> <p>BuildCo should submit to the State Acceptance Board, among other documents, the following documents:</p> <ul style="list-style-type: none"> • The certificate on elimination of defects brought to light by the Working Commission • The approved project and estimate documentation • The list of project and research organizations that participated in construction • Other relevant documents <p><i>Agency: Hokimat</i></p>	14 days	no charge
23	<p>Register the new construction with the cadastre</p> <p>BuildCo must register the new construction with the real estate cadastre of the relevant district of the city of Tashkent. The registration takes around 2 weeks in Tashkent and costs 50% of MMW for legal entities.</p> <p><i>Agency: Cadastre</i></p>	14 days	UZS 59,000

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Table 3.3 Summary of quality control and safety mechanisms in Uzbekistan

	Answer	Score
Building quality control index (0-15)		10.50
Quality of building regulations index (0-2)		1.50
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0-1)	Free of charge.	0.5
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.00
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0-1)	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		2.00
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections by external engineer or firm; Unscheduled inspections.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
Quality control after construction index (0-3)		3.00
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection; Yes, external engineer submits report for final inspection.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always	1.0

	Answer	Score
	occurs in practice.	
Liability and insurance regimes index (0-2)		1.00
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	No party is required by law to obtain insurance	0.0
Professional certifications index (0-4)		2.00
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering.	1.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management.	1.0

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

WHAT THE GETTING ELECTRICITY

INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
 - Duration and frequency of outages
 - Tools to monitor power outages
 - Tools to restore power supply
 - Regulatory monitoring of utilities' performance
 - Financial deterrents aimed at limiting outages
 - Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

- Price based on monthly bill for commercial warehouse in case study

**Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking*

The warehouse (*continued*):

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection (where the voltage is 120/208 V, the current would be 400 amperes; where it is 230/400 B, the current would be nearly 200 amperes).
- Is 150 meters long. The connection is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Will supply monthly electricity consumption of 26,880 kilowatt-hours (kWh).
- Does not involve work to install the internal electrical wiring. This has already been completed, up to and including the customer's service panel or switchboard and installation of the meter base.

Assumptions about the monthly consumption

- It is assumed that the warehouse operates 8 hours a day for 30 days a month, with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity). The subscribed capacity of the warehouse is 140 kVA, with a power factor of 1 (1 kVA = 1 kW). The monthly energy consumption is therefore 26,880 kWh, and the hourly consumption 112 kWh (26,880 kWh/30 days/8 hours).
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse.

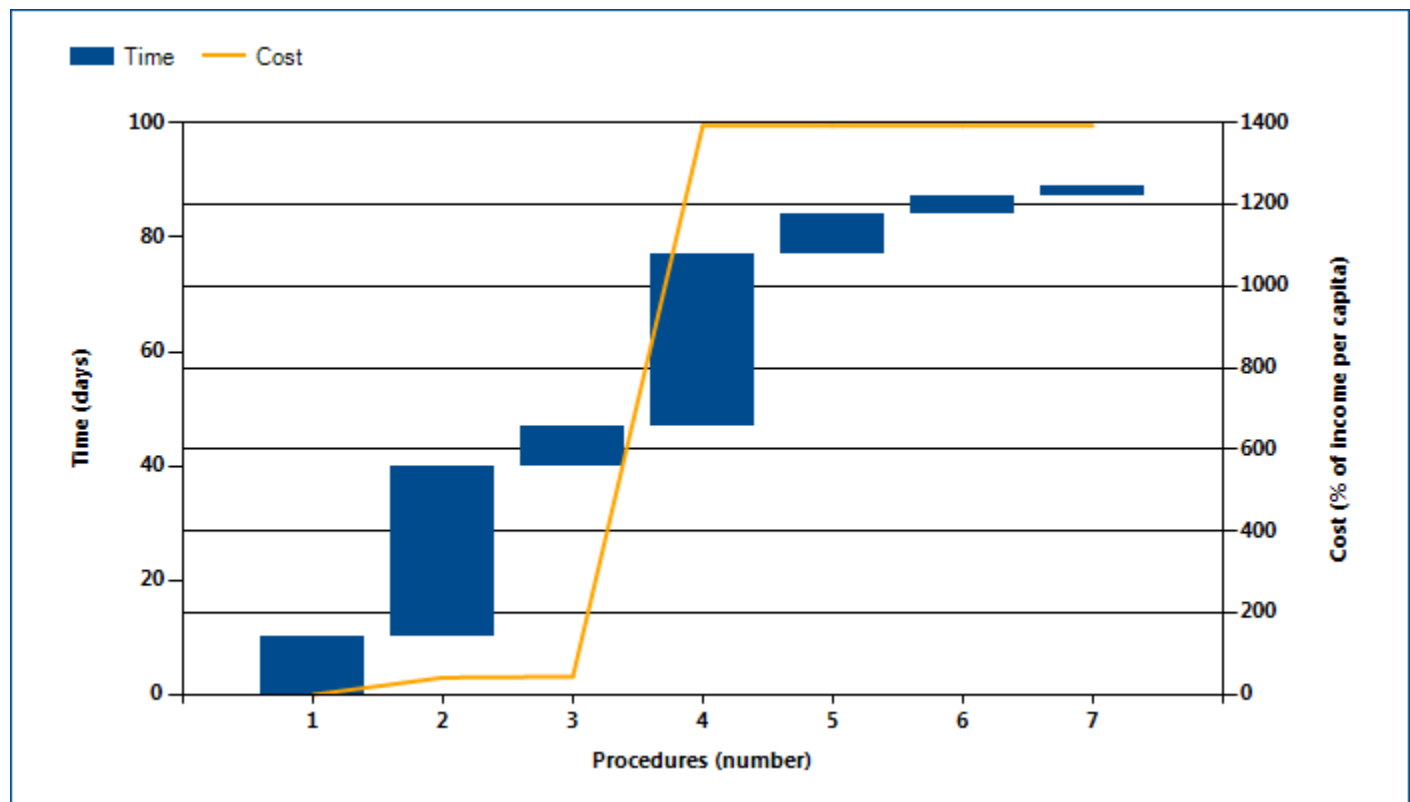
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Uzbekistan? According to data collected by *Doing Business*, getting electricity there requires 7.00 procedures, takes 89.00 days and costs 1393.10% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in Uzbekistan



Source: *Doing Business* database.

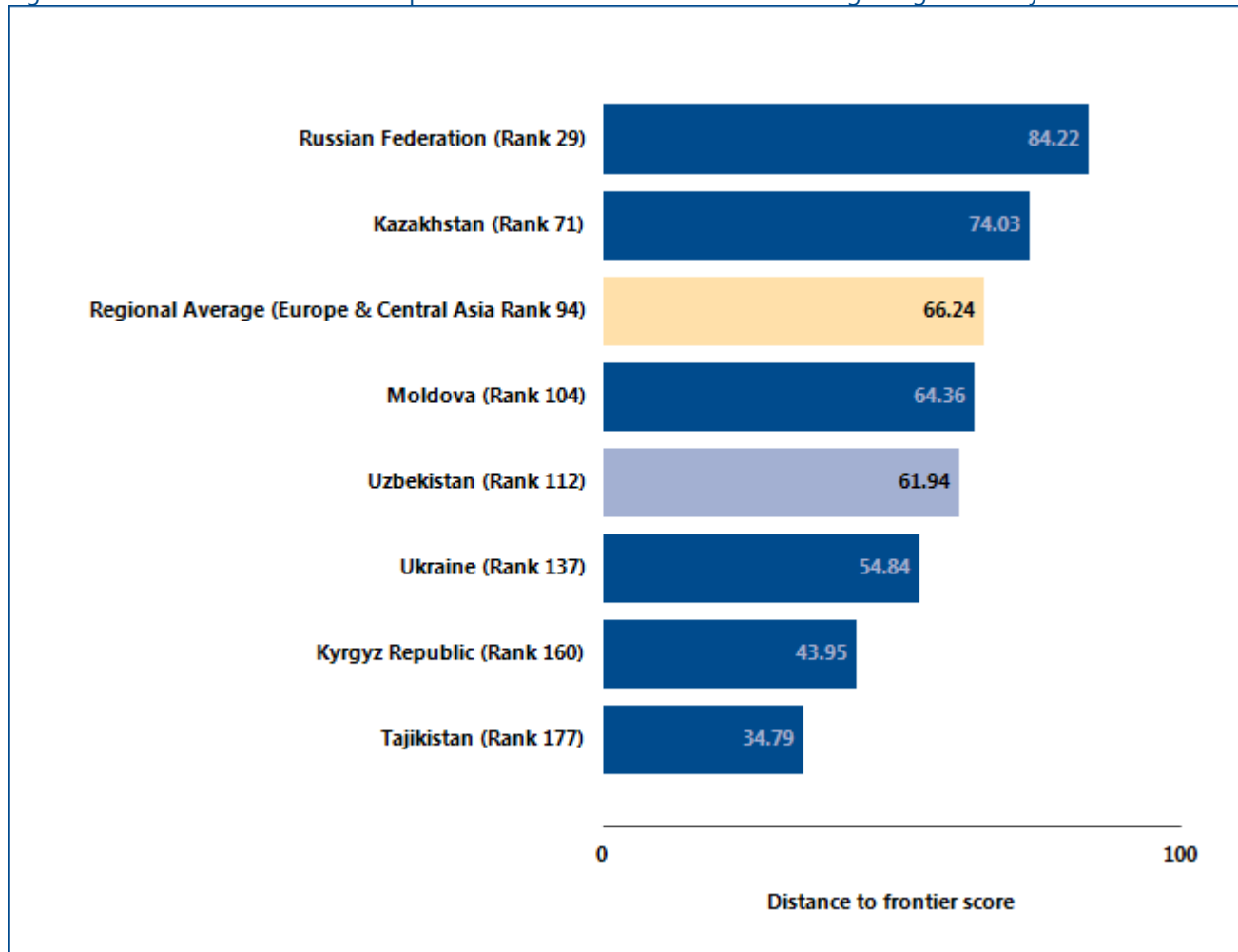
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

GETTING ELECTRICITY

Globally, Uzbekistan stands at 112 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Uzbekistan to connect a warehouse to electricity.

Figure 4.2 How Uzbekistan and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Uzbekistan are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

OBTAINING AN ELECTRICITY CONNECTION*

Name of utility: **Uzbekenergo**

**Price of electricity
(US cents per kWh):** **6**

City: **Tashkent**

*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the getting electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in Uzbekistan

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Tashkent City Electrical Network and await technical conditions</p> <p>The customer submits an application for the electrical connection to the Tashkent City Electric Network Enterprise and waits for them to issue technical conditions. The technical conditions specify the point of connection and other technical arrangements. In this particular case, the segment of the cable, for which the customer is responsible, is identified.</p> <p>There is no online application. The application can be submitted in person or by mail. Documents required for the application: application letter which specifies the required load, safety category of the electrical installation, various maps, timeline of the project design and electrical installation.</p> <p>An external inspection by the Tashkent City Electrical Networks is necessary for the issuance of technical conditions, however presence of someone from the applicant's party is not required.</p> <p><i>Agency: Tashkent City Electric Network Enterprise OJSC</i></p>	10 calendar days	UZS 0

No.	Procedure	Time to complete	Cost to complete
2	<p>Await project design of external connection by private firm and its approval</p> <p>The customer presents the issued technical conditions to an electrical project design firm and await completion of the design of the external connection. Once the connection design is completed it has to be submitted for approval to the Tashkent City Electric Network Enterprise. The project also has to be approved at Uzgosenergonadzor except for the projects below 10 kW.</p> <p><i>Agency: Project design institute</i></p>	30 calendar days	UZS 2,066,610
3	<p>Obtain excavation permit from municipality</p> <p>If the connection passes through a road the electrical contractor obtains an excavation permit (ордер) at the Municipality for the Maintenance of the Tashkent City. They issue the permit where the time limit for finishing the works is specified. The permit should be brought to the City Road Inspection (ГАИ) for concurrence and to receive signs which could be put on the road while the works are in progress. If the works are not finished in time and the road is not restored in time there is a fine which should be paid to the municipality. If the road is small and on the outskirts the permit has to be approved by the regional department/municipality.</p> <p><i>Agency: Department for Maintenance of Tashkent/ Road Police/ regional department</i></p>	7 calendar days	UZS 120,000
4	<p>Await completion of external works and meter installation by electrical contractor</p> <p>Once the project is approved the customer's electrical contractor starts the external connection works. The external works should be in compliance with the technical conditions and the designed project.</p> <p>All costs related to external connection works are born by the customer including materials and labor. The customer buys all the necessary materials for the works: cables, meter, transformer substation, insulation, knife switches and etc.</p> <p><i>Agency: Any electrical installation enterprise</i></p>	30 calendar days	UZS 66,500,000

No.	Procedure	Time to complete	Cost to complete
5	<p>Await and receive inspection by State Energy Inspectorate and obtain operation permit</p> <p>Once the external connection works are complete, the customer requests an inspection of the works from the State Energy Inspectorate (Uzgosenergonadzor). After the inspection they issue a document where they point out problems and faults in the completed works. It is common that there are problems. Once the faults are fixed they come once again to inspect the works and issue a final document certifying that all the works are in compliance with technical standards. At this point Uzgosenergonadzor issues an operation permit.</p> <p><i>Agency: State Inspection for Power Engineering Supervision of the Republic of Uzbekistan (Uzgosenergonadzor)</i></p>	7 calendar days	UZS 0
6	<p>Await inspection by Tashkent City Electrical Networks and sealing of the meter</p> <p>Tashkent Electrical Networks come before electricity supply contract is signed but after Uzgoselektronadzor issues the act of acceptance. During this visit they will seal the meter.</p> <p><i>Agency: Tashkent Electrical Networks</i></p>	3 calendar days	UZS 0
7	<p>Sign supply contract with Uzbekenergo and obtain final connection</p> <p>The customer concludes a contract for power supply at Uzbekenergo and submits a request for a switch-on to the power supply department. In existence of a supply contract with Uzbekenergo, the electricity starts flowing immediately.</p> <p>The actual final connection is done jointly with the customer's contractor in charge of the electric facilities and an employee of Uzbekenergo who turns on the knife switch.</p> <p><i>Agency: Uzbekenergo</i></p>	2 calendar days	UZS 0

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in Uzbekistan

	Answer	Score
Reliability of supply and transparency of tariff index (0-8)		5.00
Total duration and frequency of outages per customer a year (0-3)		3.00
System average interruption duration index (SAIDI)	0.3	
System average interruption frequency index (SAIFI)	0.1	
Mechanisms for monitoring outages (0-1)		0.0
Does the distribution utility use automated tools to monitor outages?	No	
Mechanisms for restoring service (0-1)		0.0
Does the distribution utility use automated tools to restore service?	No	
Regulatory monitoring (0-1)		1.00
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	
Financial deterrents aimed at limiting outages (0-1)		0.00
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No	
Communication of tariffs and tariff changes (0-1)		1.00
Are effective tariffs available online?	Yes	
Link to the website, if available online	http://www.uzbek	

	Answer	Score
	energo.uz/ru/news/tariffs-electric-power/index.php?sphrase_id=15620	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities and are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

Quality of land administration index (0-30)

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

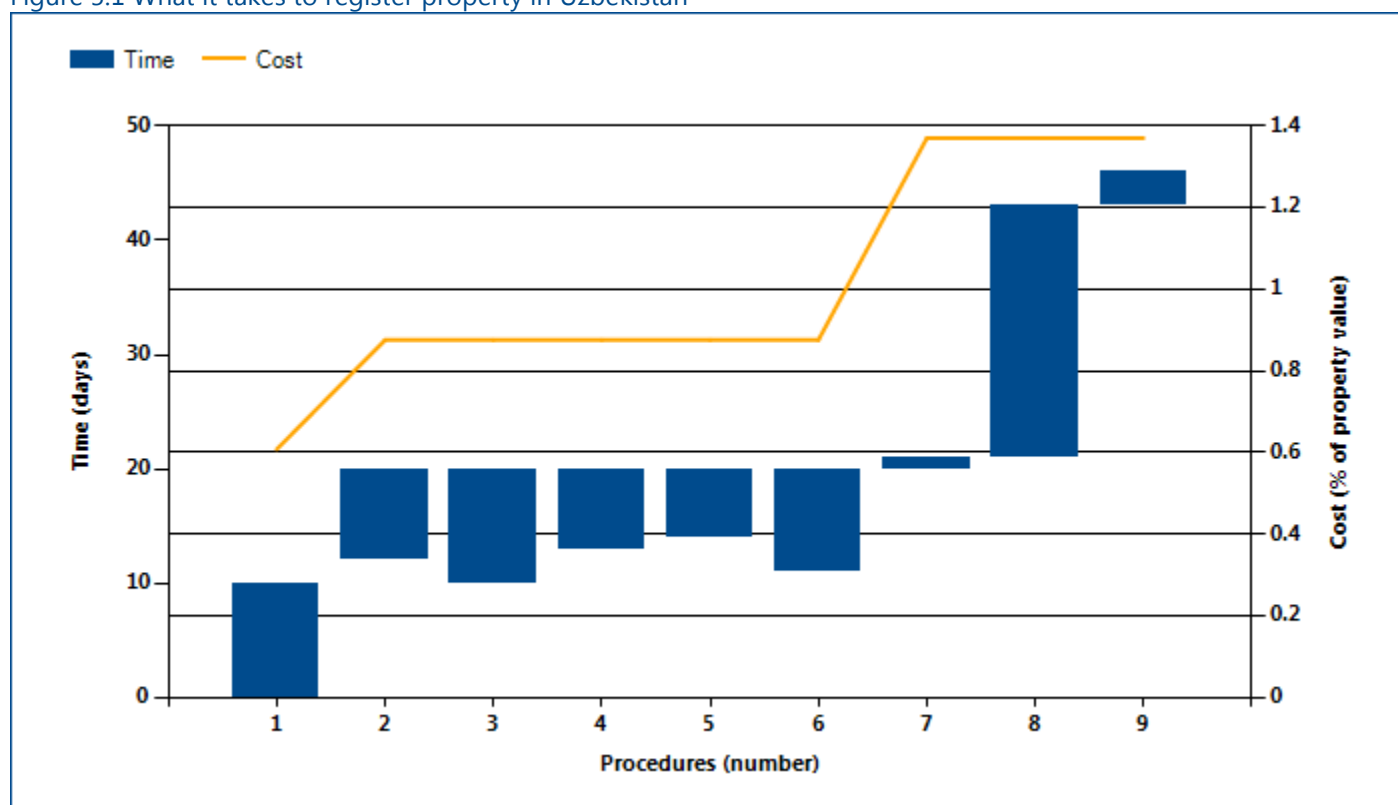
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Uzbekistan? According to data collected by *Doing Business*, registering property there requires 9.00 procedures, takes 46.00 days and costs 1.40% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Uzbekistan



Source: *Doing Business* database.

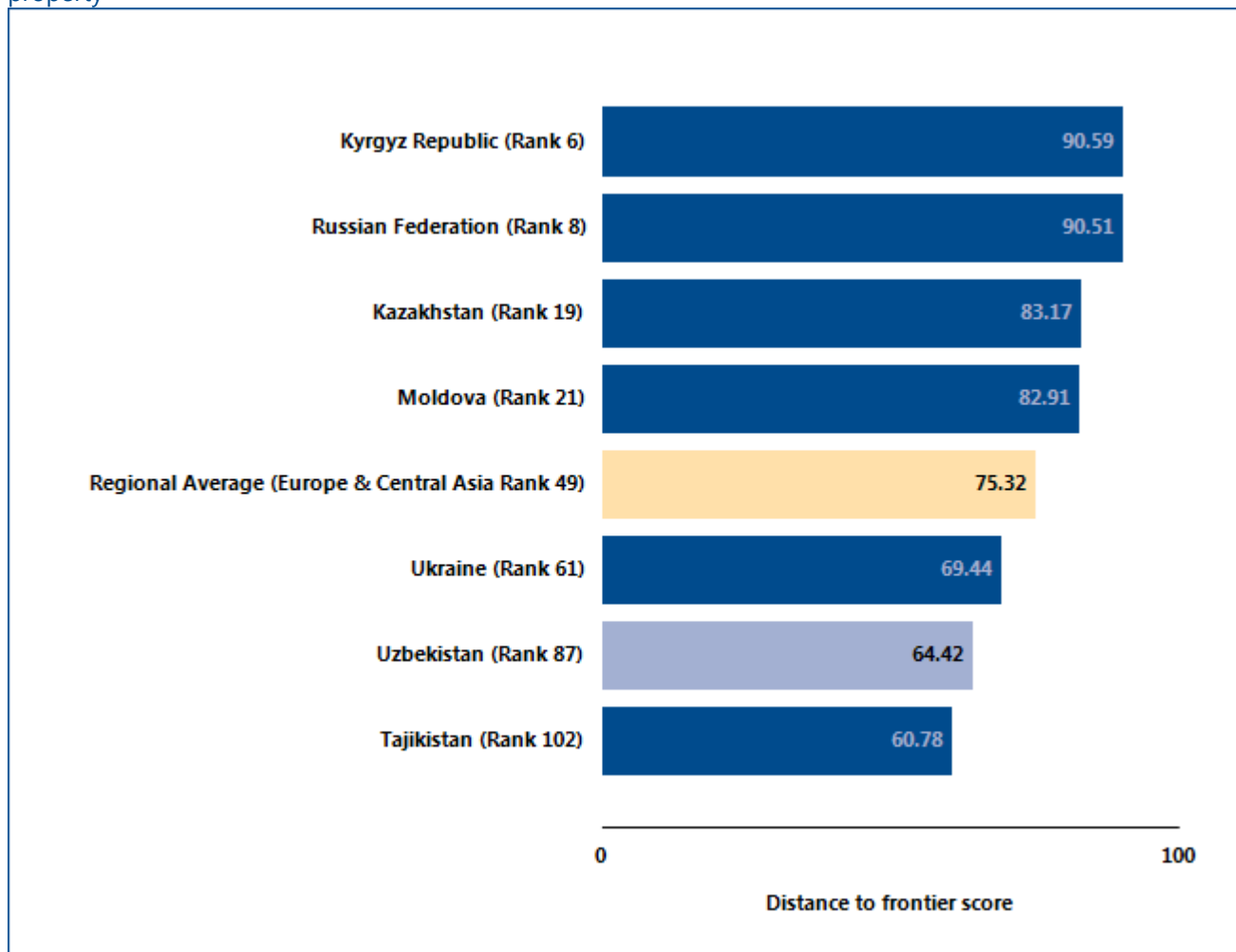
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

REGISTERING PROPERTY

Globally, Uzbekistan stands at 87 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Uzbekistan to transfer property.

Figure 5.2 How Uzbekistan and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Uzbekistan (table 5.1)?

Table 5.1 How has Uzbekistan made registering property easier—or not?

By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2014	Uzbekistan made transferring property easier by reducing the notary fees.
DB2016	Uzbekistan made transferring property easier by eliminating the requirement to provide several different nonencumbrance certificates, though it also increased the costs associated with property transfers.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER

Property value: UZS 246,516,906

City: Tashkent

Table 5.2 Summary of time, cost and procedures for registering property in Uzbekistan

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain the evaluation of the market value for the property</p> <p>Private evaluator will visit the land and immovable property, take measurements, etc. Usually, the visit is performed without presence of a client (seller).</p> <p><i>Agency: Private evaluator</i></p>	10 days	1 to 2 million UZS
2	<p>Inspection of a property to determine its status</p> <p>Pursuant to the Decree No.1 as of Jan 7, 2014 the state official will have to conduct the onsite inspection of the land and building. The inspection is performed to establish cadastral value of the property and to evaluate all possible changes in technical parameters, record new construction and reconstruction etc.</p> <p>Pursuant to the Order No. 186 from July 10, 2014 the fee for an inspection of the property by experts from the State Committee on Land Resources, Geodesy, Cartography and State Cadastre is set as follow:</p> <ol style="list-style-type: none"> 1. Property with total size up to 100 sqr. m - 1 MMW (monthly minimum wage) 2. Property with total size from 100 sqr. m to 1000 sqr. m - 1% from MMW per square meter of the property size 3. Property with total size from 1000 sqr. m to 5000 sqr. m - 15 from MMW 4. Property with total size from 5000 sqr. m to 15000 sqr. m - 30 from MMW 5. Property with total size from 15000 sqr. m to 50000 sqr. m - 50 from MMW 6. Property with total size more than 50000 sqr. m - 70 MMW 	1 day (simultaneous with procedures 3, 4, 5, and 6)	1% of the minimum monthly wage per square meter of building area

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Cadastral Service Office</i>		
3	<p>* Request and obtain Cadastral Certificate</p> <p>The seller has to obtain the Cadastral Certificate. The certificate contains technical parameters of premises (when built, height, deterioration level, blueprint, etc.) as well as cadastral value (taxable value), which is used for property tax calculation purposes.</p> <p><i>Agency: Cadastral Service Office</i></p>	10 days (simultaneous with procedures 2, 4, 5, and 6)	no cost
4	<p>* Seller obtains the certificate stating that there are no outstanding payments due to the water and sewage service provider</p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the trash collection service use from trash collection service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p> <p><i>Agency: Water service provider</i></p>	1 day (simultaneous with procedures 2, 3, 5, and 6)	no cost
5	<p>* Seller obtains the certificate stating that there are no outstanding electricity bills</p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the electricity service use from electricity service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that there are no outstanding fees that have to be paid before transfer of property takes place.</p> <p><i>Agency: Electricity service provider</i></p>	1 day (simultaneous with procedures 2, 3, 4, and 6)	no cost
6	<p>* Seller obtains the certificate stating that there are no outstanding trash collection bills</p> <p>Parties have to submit to the notary the certificates stating that there are no outstanding payments due to the trash collection service use from trash collection service provider. Parties have to request these certificates specifically for the property transaction to demonstrate that</p>	1 day (simultaneous with procedures 2, 3, 4, and 5)	no cost

No.	Procedure	Time to complete	Cost to complete
	<p>there are no outstanding fees that have to be paid before transfer of property takes place.</p> <p><i>Agency: Trash collection service provider</i></p>		
7	<p>Notarize the sale agreement between the seller and buyer</p> <p>According to Article 480 of the Civil Code of Uzbekistan a contract for sale of an immovable shall be concluded in a written form by formation of one document signed by the parties. Accordingly, the obligation to notarize the sale of a real estate between legal persons is not required by law.</p> <p>However, upon agreement of the parties, the contract can be notarized. In accordance with paragraph 51 of Instructions on notarial acts of notaries, in case of notarization of the sale contract of a real estate such transactions shall be certified in a notary's office located at the place where the location of the real state is.</p> <p>For certification of transactions on alienation of a real estate owned by legal entities, notary requires the following documents:</p> <ul style="list-style-type: none"> • Proof of ownership of the property (cadastral certificate); • Certificate of state registration of the legal entity; • Certificate on the net book value of the property, signed by the director and the chief accountant of the legal entity; • Certificate of net assets of the legal entity; • Power of attorney for a representative of the legal entity, issued in the prescribed manner (if there is no an employment contract between the representative and the legal entity, a power of attorney shall be issued by a notary); • Act of acceptance of the property; • Document verifying the payment between the parties (the receipt, payment order)*; <p>*In case if the sale contract is notarized, a written basis for the settlement between the parties, namely the conclusion of the preliminary agreement between the parties on the basis of which the payment for the transferred property was made, will be needed in order to provide the notary with a document confirming settlement between the parties.</p> <p><i>Agency: Public Notaries</i></p>	1 day	<p>1% of the minimum monthly wage per square meter of building area + fees charged by notaries for consultations and drafting sale-purchase agreement</p>
8	<p>Buyer applies for the registration at the Registration Office</p> <p>According to Article 481 of Civil Code of Uzbekistan the transfer of the property rights on immovable property from the seller to the buyer is subject to the state registration.</p> <p>In the case of registration of a building or structure in a land register and</p>	18 working days (22 calendar days)	No cost

No.	Procedure	Time to complete	Cost to complete
	<p>in a register book, in case of change of the owner or person having proprietary rights to that object, and also in case of change of the legal position of the object, a new certificate of state registration of a building or structure will be issued with the obligatory withdrawal and cancellation of the old certificate.</p> <p>Pursuant to the Order No. 186 from July 10, 2014 the registration of the property rights with the State Committee on Land Resources, Geodesy, Cartography and State Cadastre can be performed for free of charge.</p> <p><i>Agency: Registration Office - Department of Land Resources and State Cadastre - City of Tashkent</i></p>		
9	<p>Buyer submits the cadastral package to the local tax authorities</p> <p>The buyer submits a copy of Cadastral package to the local tax authority in order to update the land and property taxation records to the new owner's name.</p> <p>In addition, according to the Tax Code of the Republic of Uzbekistan, authorities involved with the registration of the title must report information on new owners to the tax authorities within 10 days after registration of the title has taken place.</p> <p><i>Agency: Local Tax Authorities</i></p>	3 days	no cost

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

REGISTERING PROPERTY

Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in Uzbekistan

	Answer	Score
Quality of the land administration index (0-30)		16.50
Reliability of infrastructure index (0-8)		4.00
What is the institution in charge of immovable property registration?	Tashkent city Department of Land Resources and State Cadastre	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Cadastre Service office under the State Committee on land resources, cartography and State Cadastre	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	No	0.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Separate databases	0.0

	Answer	Score
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0
Transparency of information index (0–6)		1.50
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Only intermediaries and interested parties	0.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	http://www.kadast.uz/ru/about/services/perechen-dokumentov-dlya-registratsii-prava/2933/	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	http://www.kadast.uz/ru/about/services/stoimost-uslug/2930/	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0
Contact information:		
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0
Number of property transfers in the largest business city in 2014:		
Who is able to consult maps of land plots in the largest business city?	Only intermediaries and interested parties	0.0
Is the applicable fee schedule for accessing maps of land plots made	Yes, online	0.5

	Answer	Score
publicly available—and if so, how?		
Link for online access:	http://www.kadaster.uz/ru/about/services/stoimost-uslug/2931/	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0
Contact information:		
Geographic coverage index (0–8)		4.00
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	Yes	2.0
Are all privately held land plots in the economy mapped?	No	0.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0
Land dispute resolution index (0–8)		7.00
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	No	0.0
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar; Notary; Lawyer.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5

	Answer	Score
If yes, who is responsible for verifying the identity of the parties?	Registrar; Notary; Notary.	
Is there a national database to verify the accuracy of identity documents?	Yes	1.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	The Economic court of the Tashkent city	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Less than a year	3.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0
Number of land disputes in the largest business city in 2014:		

Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2016* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

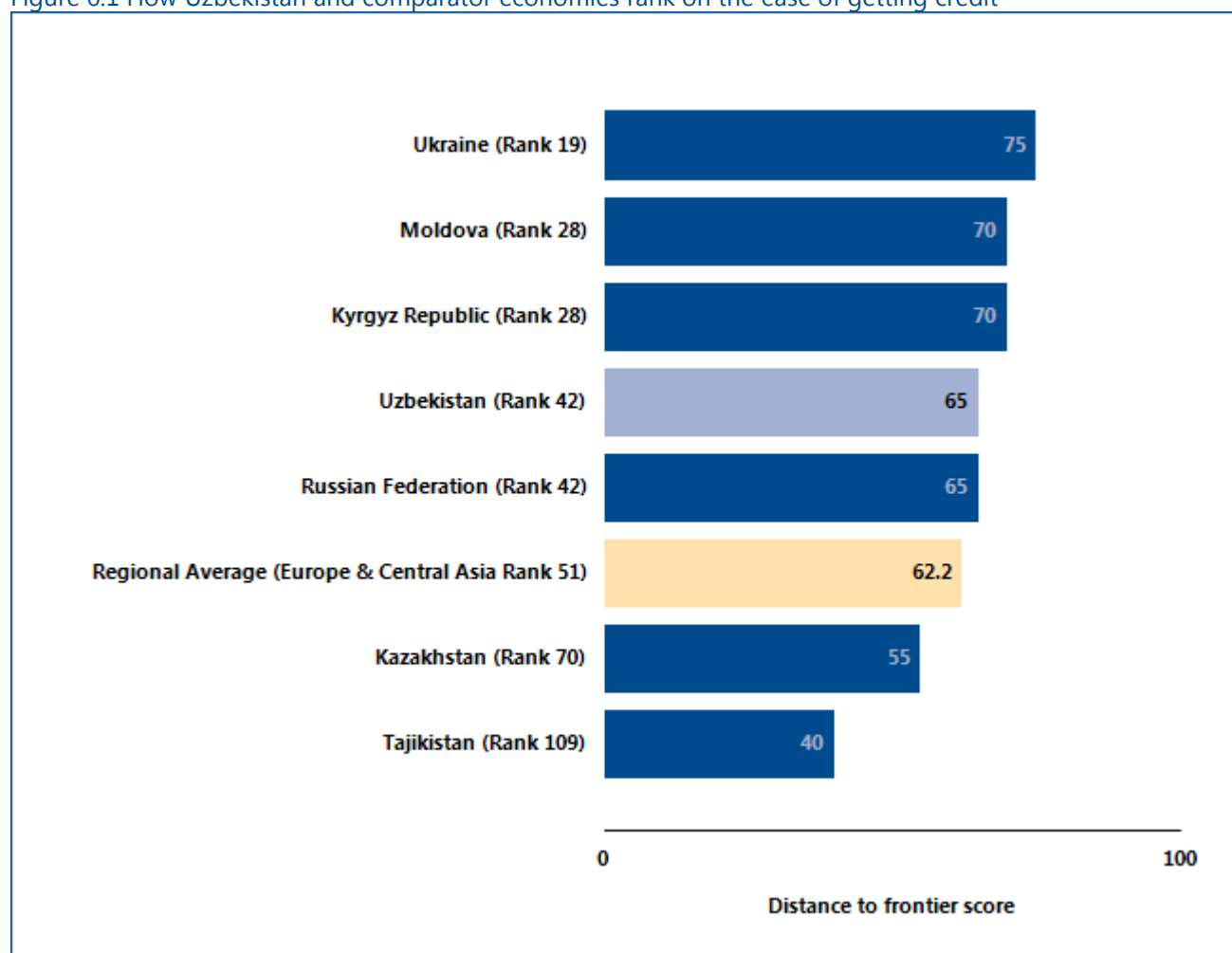
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Uzbekistan facilitate access to credit? The economy has a score of 7.00 on the depth of credit information index and a score of 6.00 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Uzbekistan stands at 42 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide other useful information for assessing how well regulations and institutions in Uzbekistan support lending and borrowing.

Figure 6.1 How Uzbekistan and comparator economies rank on the ease of getting credit



Source: Doing Business database.

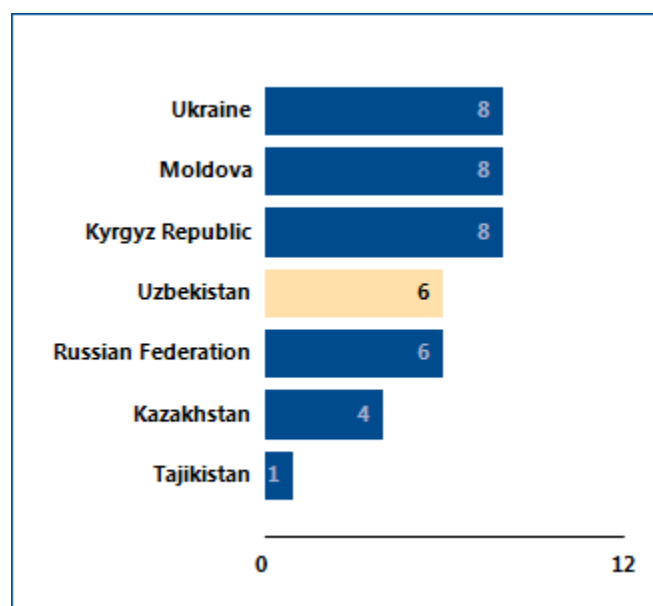
GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Uzbekistan and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Economy scores on strength of legal rights index

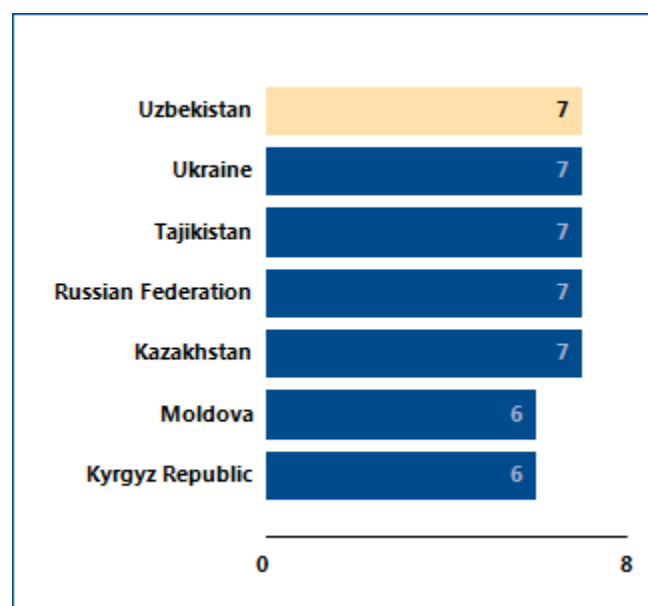


Source: *Doing Business* database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: *Doing Business* database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Uzbekistan (table 6.1)?

Table 6.1 How has Uzbekistan made getting credit easier—or not?

By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2013	Uzbekistan improved access to credit information by guaranteeing borrowers' right to inspect their personal data.
DB2014	Uzbekistan improved access to credit information by expanding the scope of credit information and requiring that more than 2 years of historical data be collected and distributed.
DB2016	Uzbekistan improved access to credit by adopting new laws on secured transactions that allow a general description of assets granted as collateral and establish a modern, unified, notice-based collateral registry.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Uzbekistan are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Index score: 6.00
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	Yes
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7.00
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of firms	899,307	0
Number of individuals	3,125,797	0
Total	4,025,104	0
Total percentage of adult population	19.40	0.00

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

Extent of shareholder rights index (0–10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0–10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0–10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

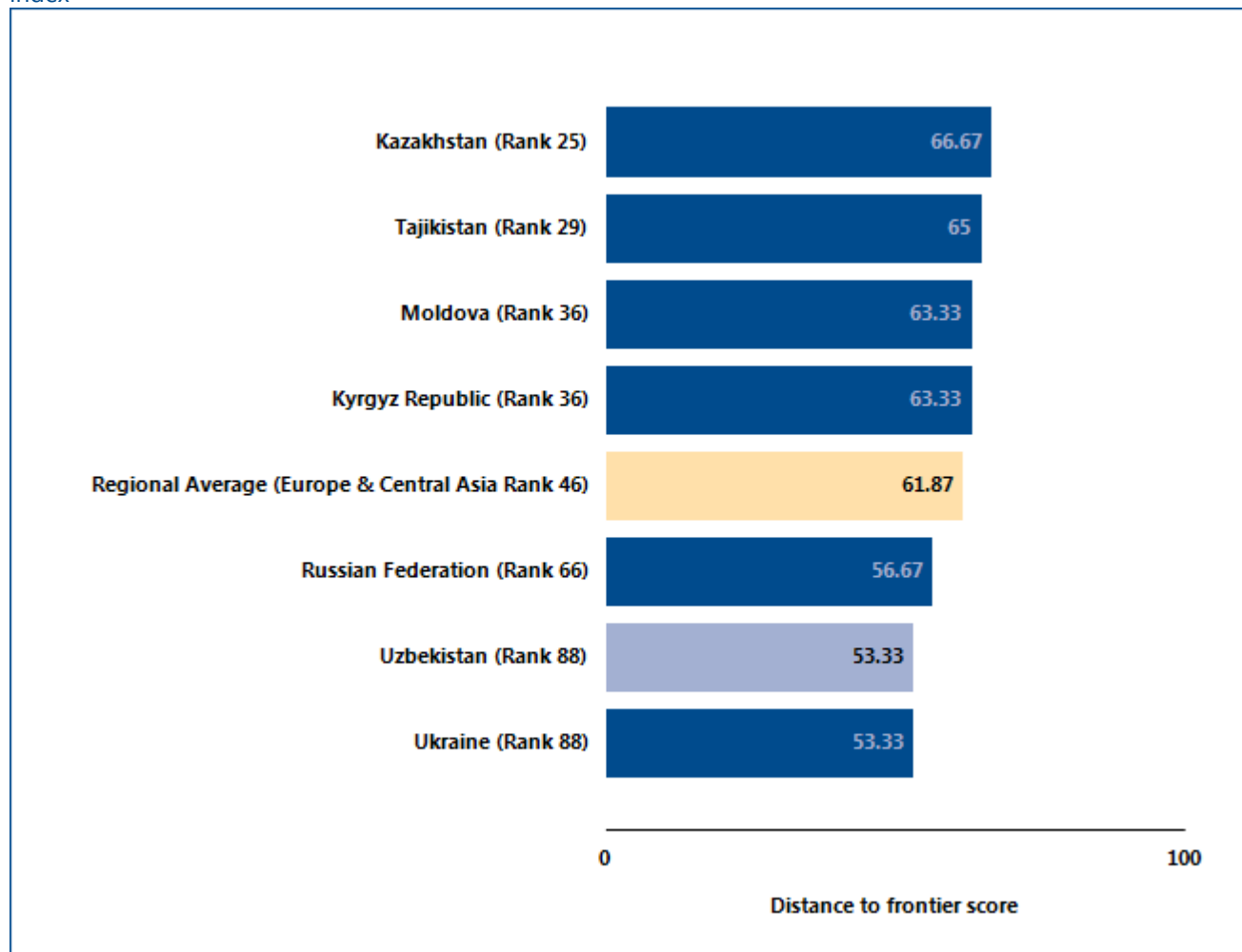
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Uzbekistan? The economy has a score of 5.30 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Uzbekistan stands at 88 in the ranking of 189 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Uzbekistan and comparator economies perform on the strength of minority investor protection index



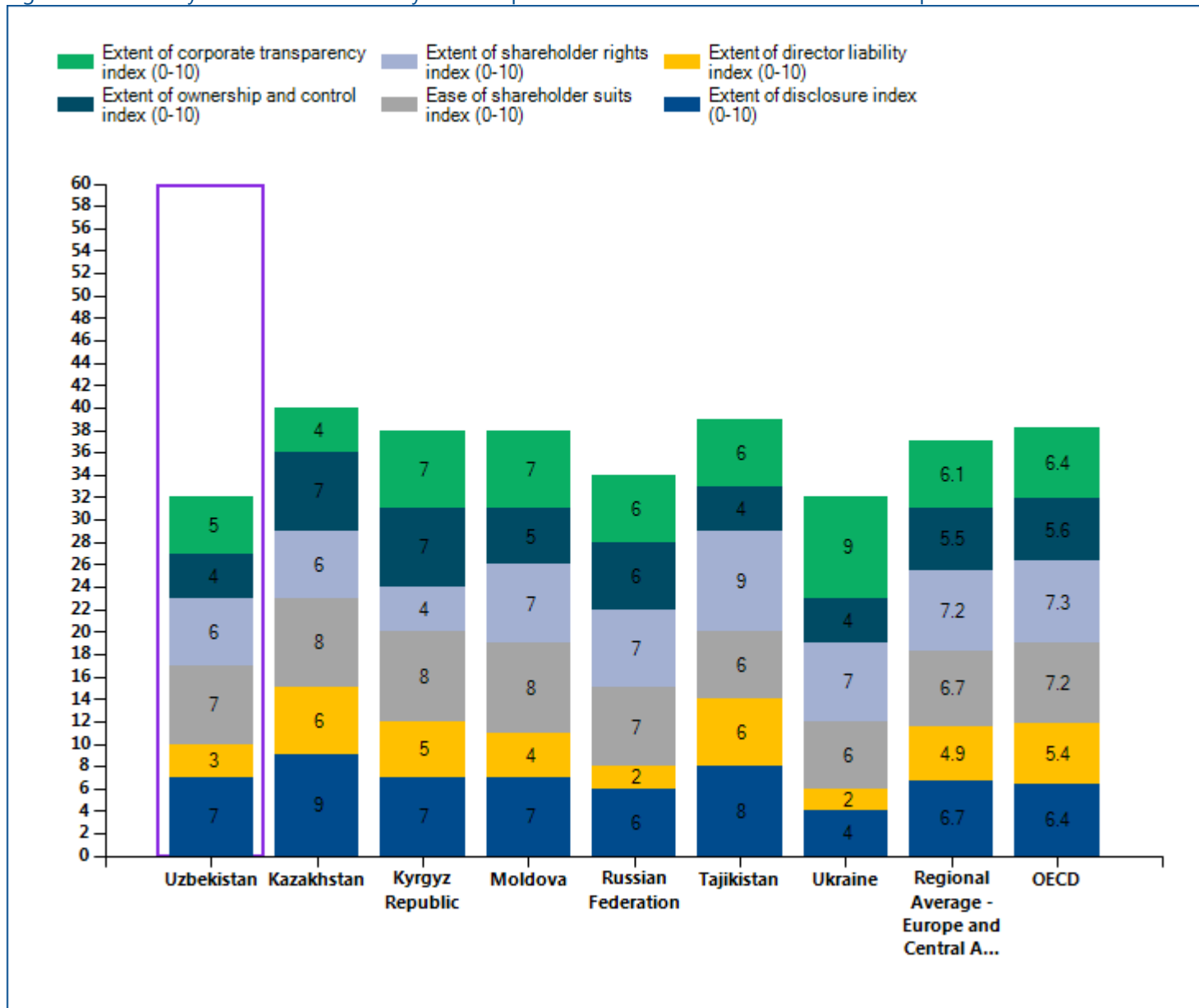
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for Uzbekistan.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for Uzbekistan and comparator economies.



Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. As a

result, reforms to strengthen minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in Uzbekistan (table 7.1)?

Table 7.1 How has Uzbekistan strengthened minority investor protections—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2015	Uzbekistan strengthened minority investor protections by introducing a requirement for public joint stock companies to disclose information about related-party transactions in their annual report; setting higher standards for disclosure of such transactions to the board of directors; and establishing the right of shareholders to receive all documents related to such transactions.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Uzbekistan are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2016* report). The summary below shows the details underlying the scores for Uzbekistan.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Uzbekistan

	Answer	Score
Strength of minority investor protection index (0-10)		5.30
Extent of conflict of interest regulation index (0-10)		5.70
Extent of disclosure index (0-10)		7.00
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3.0
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2.0
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0
Extent of director liability index (0-10)		3.00
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1.0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0.0
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Not liable	0.0
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	No	0.0
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	No	0.0
Is the interested director fined and imprisoned or disqualified upon a successful claim by the shareholder plaintiff? (0-1)	No	0.0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if unfair or prejudicial	2.0
Ease of shareholder suits index (0-10)		7.00
Before filing suit, can shareholders owning 10% of the	Yes	1.0

company's share capital inspect the transaction documents? (0-1)		
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	Documents that directly prove specific facts in the plaintiff's claim	2.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0
Extent of shareholder governance index (0-10)		5.00
Extent of shareholder rights index (0-10)		6.00
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	No	0.0
Must shareholders approve the election and dismissal of the external auditor?	No	0.0
Must changes to the voting rights of a class of shares be approved only by the holders of the affected shares?	No	0.0
Assuming that Buyer is a limited company, does the sale of 51% of Buyer's assets requires shareholder approval?	Yes	1.0
Assuming that Buyer is a limited company, can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Assuming that Buyer is a limited company, do shareholders automatically receive preemption rights every time Buyer issues new shares?	No	0.0
Extent of ownership and control index (0-10)		4.00
Is the CEO prohibited from also being chair of the board of directors?	Yes	1.0
Must the board of directors include independent and nonexecutive board members?	No	0.0
Can shareholders remove members of Buyer's board of directors without cause before the end of their term?	Yes	1.0
Must Buyer's board of directors include a separate audit committee?	No	0.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	No	0.0

Assuming that Buyer is a limited company, can shareholders remove members of Buyer's board of directors without cause before the end of their term?	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Assuming that Buyer is a limited company, must Buyer pay dividends within a maximum period set by law after the declaration date?	No	0.0
Extent of corporate transparency index (0-10)		5.00
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	No	0.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	No	0.0
Must Buyer disclose the compensation of individual managers?	No	0.0
Must a detailed notice of general meeting be sent 30 days before the meeting?	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0
Must Buyer disclose its audit reports to the public.	Yes	1.0
Assuming that Buyer is a limited company, must a detailed notice of general meeting be sent 30 days before the meeting?	Yes	1.0
Assuming that Buyer is a limited company, can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	No	0.0

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate³. All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2013.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2014 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

³ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

PAYING TAXES

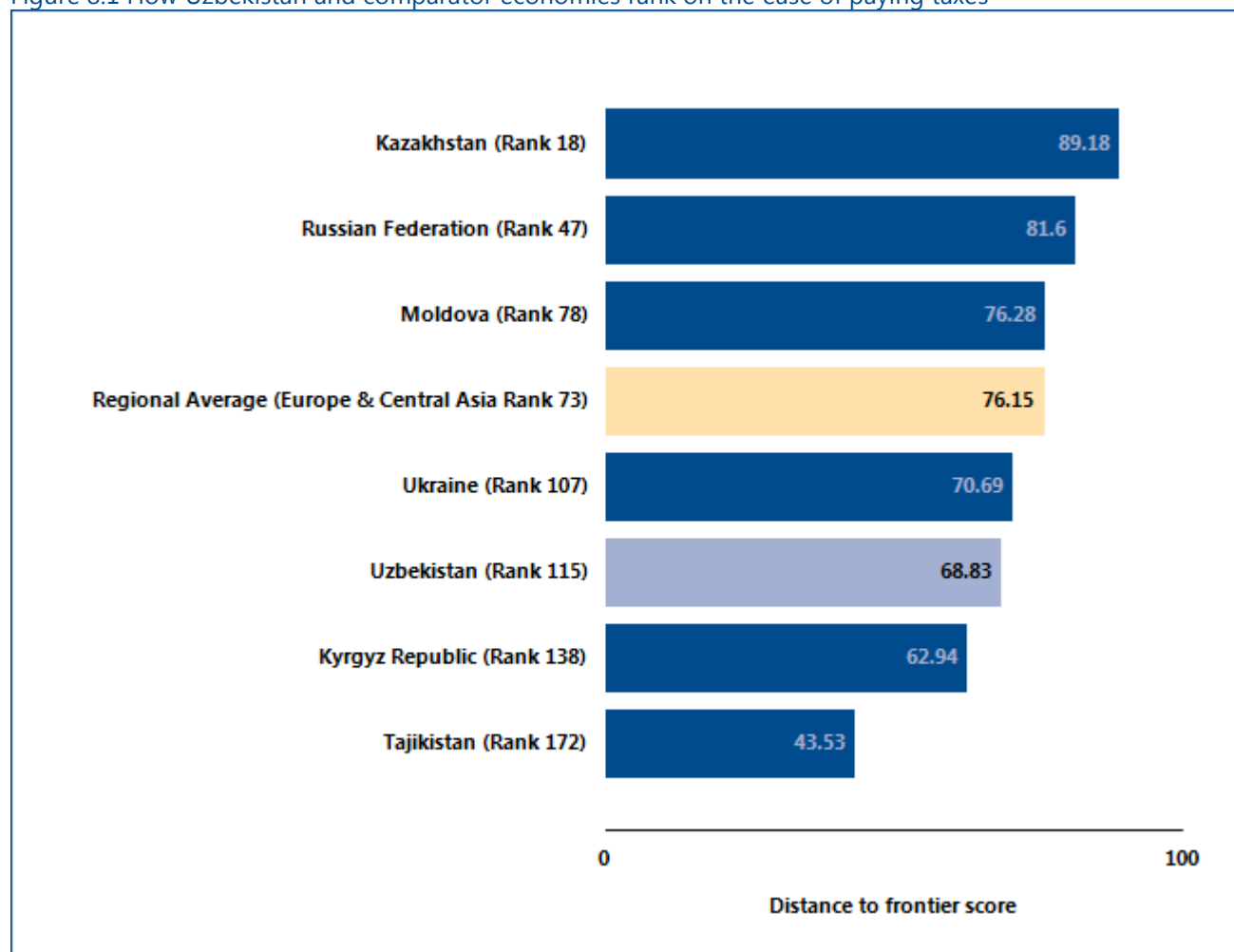
Where does the economy stand today?

What is the administrative burden of complying with taxes in Uzbekistan—and how much do firms pay in taxes? On average, firms make 33.00 tax payments a year, spend 192.50 hours a year filing, preparing and paying taxes and pay total taxes amounting to 41.10% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted

average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Uzbekistan stands at 115 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Uzbekistan.

Figure 8.1 How Uzbekistan and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions

and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Uzbekistan (table 8.1)?

Table 8.1 How has Uzbekistan made paying taxes easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2014	Uzbekistan made paying taxes easier for companies by eliminating some small taxes.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

PAYING TAXES

What are the details?

The indicators reported here for Uzbekistan are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Tashkent

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Unified social payment	12		57	0.25	gross salaries	28.2	
Corporate income tax	4		66	0.08	taxable profit	5.93	
Infrastructure development tax	4			0.08	taxable income after corporate income tax	5.46	
Land tax	4			various rates	land area	1.25	
Tax on interest	0			0.1	interest income	0.26	
Environmental tax	4			various rates	tons of waste	0.01	
Employee paid - Personal Pension Fund contribution	0			0.065	gross salaries	0	withheld
Value added tax (VAT)	4		70	0.2	value added	0	not included

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Water tax	1	withheld		various rates	water consumption	0	small amount
Totals	33.00		192.50			41.10	

Source: *Doing Business* database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import.

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as $22 \times 24 = 528$ hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS

INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance – cost (US\$) & time (hours)

Obtain, prepare and submit documents:

- During transport, clearance, inspections and port or border handling in origin economy
- Required by origin, transit and destination economies

Covers all documents by law and in practice

Border compliance – cost (US\$) & time (hours)

Customs clearance and inspections

Inspections by other agencies

Port or border handling

Obtaining, preparing and submitting documents during clearance, inspections and port or border handling

Domestic transport*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Obtaining, preparing and submitting documents during domestic transport

Traffic delays and road police checks while shipment is en route

* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

- For each of the 189 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products, however, and the second largest product category is considered as needed.
- To identify the trading partners and export product for each economy, *Doing Business* collected data on trade flows for the most recent four-year period from international databases such as the United Nations Commodity Trade Statistics Database (UN Comtrade). For economies for which trade flow data were not available, data from ancillary government sources (various ministries and departments) and World Bank Group country offices were used to identify the export product and natural trading partners.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- Shipping cost based on weight is assumed to be greater than shipping cost based on volume.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

TRADING ACROSS BORDERS

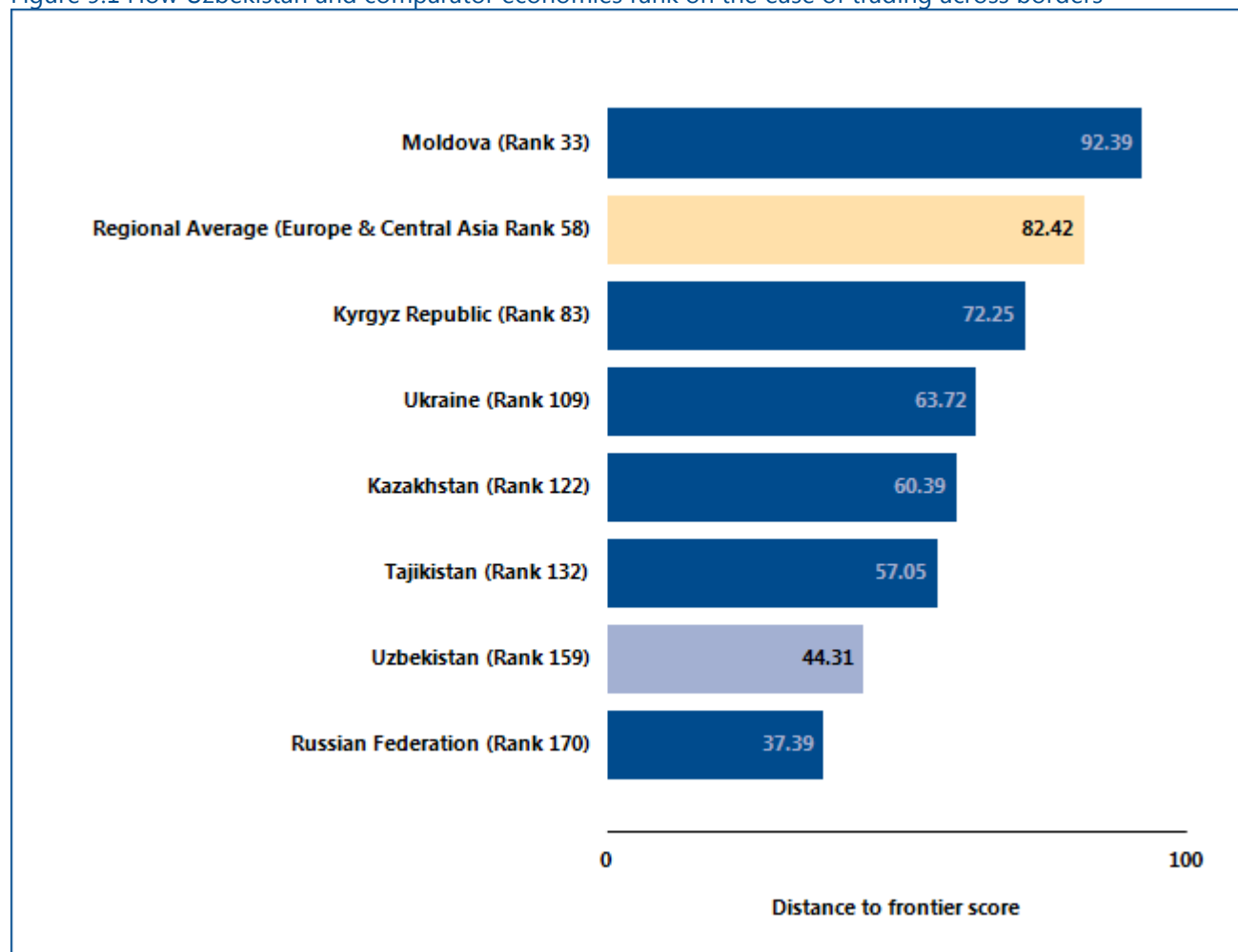
Where does the economy stand today?

The Trading across Border indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy's main border crossing.

Globally, Uzbekistan stands at 159 in the ranking of 189 economies on the ease of trading across borders (figure 9.1).

While not included in the distance to frontier or ease of doing business ranking, data on domestic transportation is also recorded for all economies and provided in Table 9.3.

Figure 9.1 How Uzbekistan and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Uzbekistan (table 9.1)?

Table 9.1 How has Uzbekistan made trading across borders easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2013	Uzbekistan reduced the time to export by introducing a single window for customs clearance and reduced the number of documents needed for each import transaction.
DB2014	Uzbekistan made trading across borders easier by eliminating the need to register import contracts with customs, tightening the time limits for banks to register export or import contracts and reducing the number of export documents required.
DB2015	Uzbekistan made trading across borders easier by reducing the number of documents to export and import and by making it possible to submit documents electronically.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Uzbekistan are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea, land, air or some combination of these). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

LOCATION OF STANDARDIZED COMPANY

City: Tashkent

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in Uzbekistan

	Uzbekistan	Europe & Central Asia
Time to export: Border compliance (hours)	112	28
Cost to export: Border compliance (USD)	278	219
Time to export: Documentary compliance (hours)	174	31
Cost to export: Documentary compliance (USD)	292	144
Time to import: Border compliance (hours)	111	23
Cost to import: Border compliance (USD)	278	202
Time to import: Documentary compliance (hours)	174	27
Cost to import: Documentary compliance (USD)	292	108

Source: Doing Business database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in Uzbekistan

	Export	Import
Product	HS 52 : Cotton	HS 8708: Parts and accessories of motor vehicles
Trade partner	Russian Federation	Russian Federation
Border	Beyneu border crossing	Yallama border crossing
Distance (km)	1515	60
Domestic transport time (hours)	52	2
Domestic transport cost (USD)	1065	58
Domestic transport speed (km/hour)	29.0	34.3
Domestic transport cost per distance (USD/km)	0.7	1.0

Source: *Doing Business* database.

Note: Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

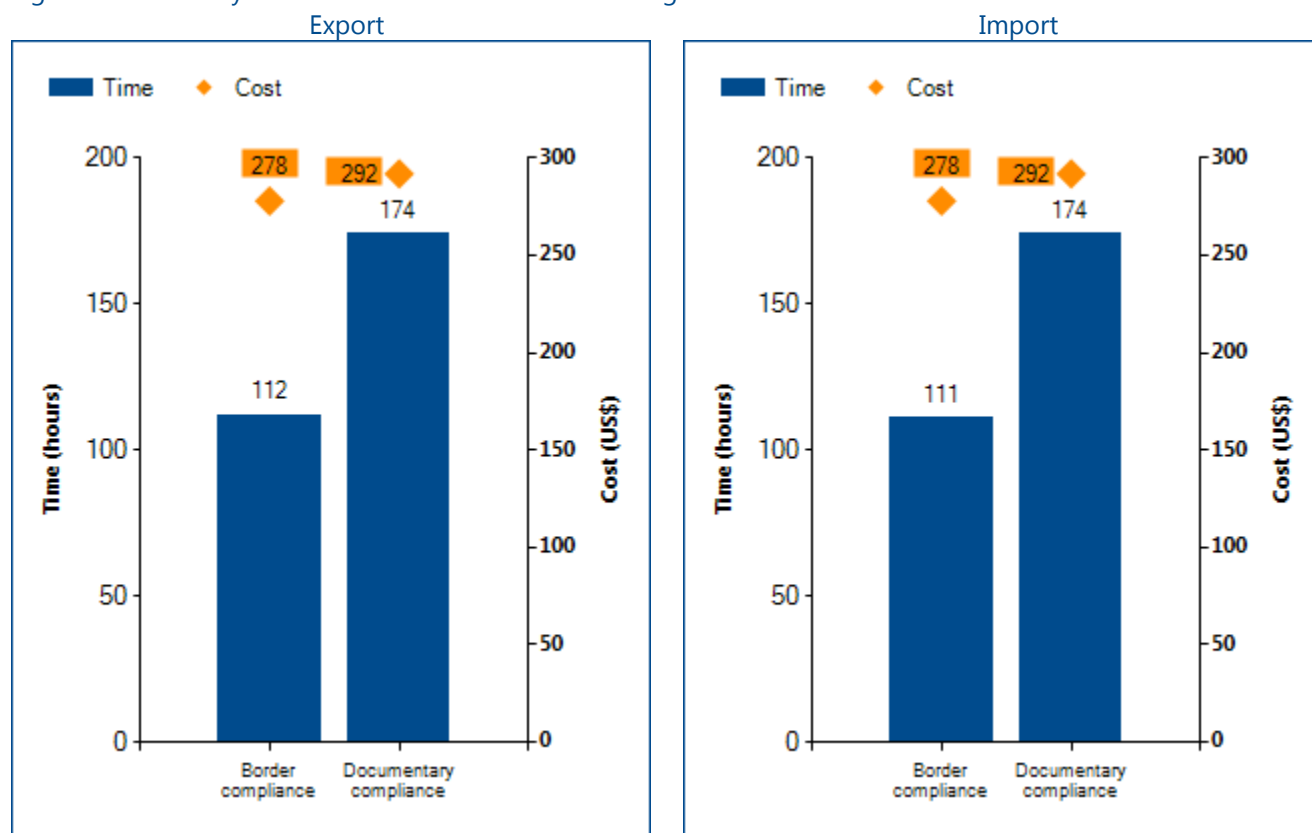
Documents to export
Certificate of conformity
Certificate of fumigation
Certificate of origin
CMR waybill
Commercial invoice
Export contract
Export declaration
License to export a particular product
Notice from the bank about advance 100% pre-payment
Packing list

Documents to import
Certificate of conformity
Certificate of origin
CMR waybill
Commercial invoice
Customs Import Declaration
Expert decision determining the code of the product
Packing list
Serial/code numbers

Source: *Doing Business* database.

Note: *Doing Business* continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

Figure 9.2 Summary of Uzbekistan on the ease of trading across borders



Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

Quality of judicial processes index (0-18)

- Court structure and proceedings (0-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

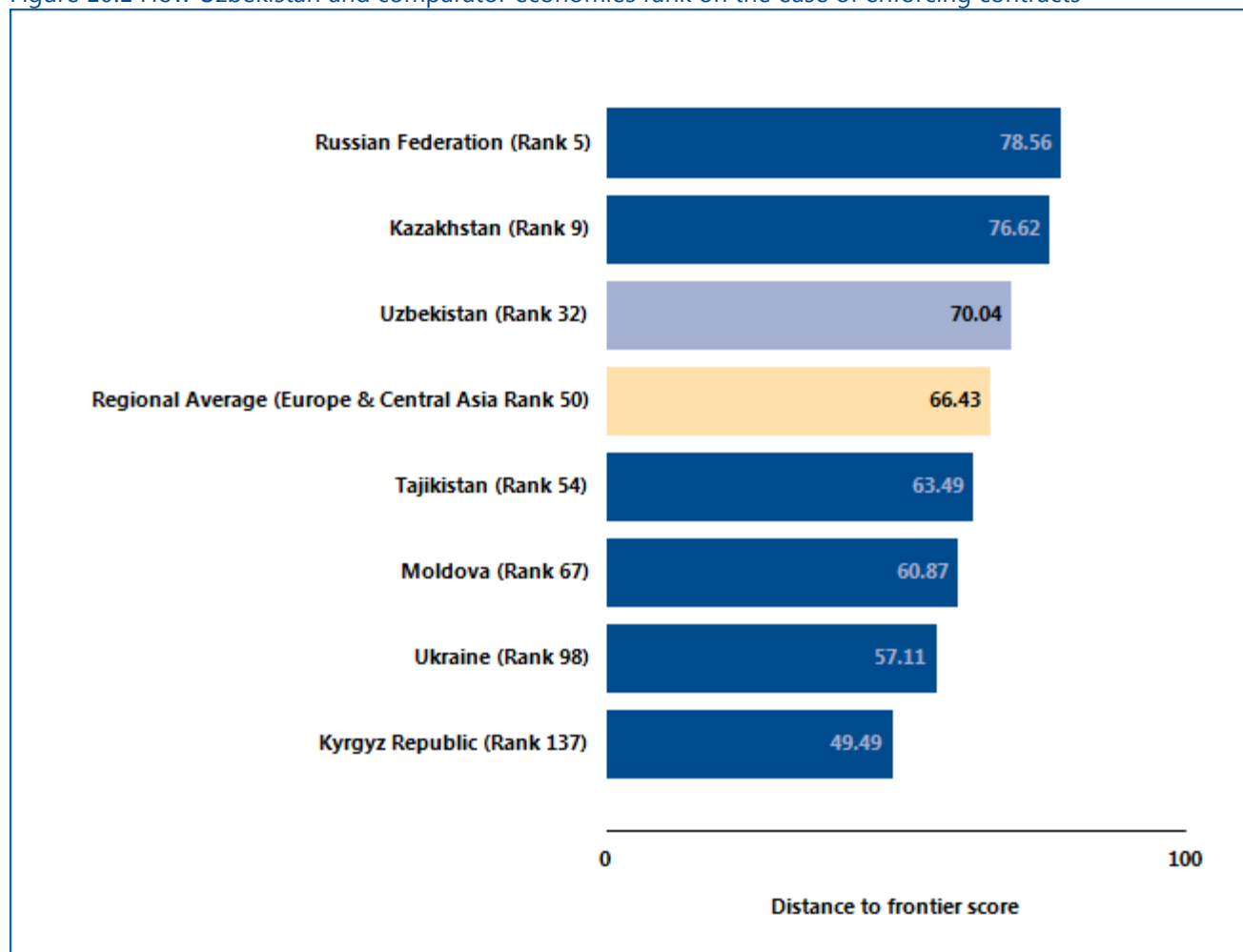
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Uzbekistan? According to data collected by *Doing Business*, contract enforcement takes 225.00 days and costs 20.50% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to

frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Uzbekistan stands at 32 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Uzbekistan.

Figure 10.1 How Uzbekistan and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on

reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Uzbekistan (table 10.1)?

Table 10.1 How has Uzbekistan made enforcing contracts easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2014	Uzbekistan made enforcing contracts easier by introducing an electronic filing system for court users.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

ENFORCING CONTRACTS

What are the details?

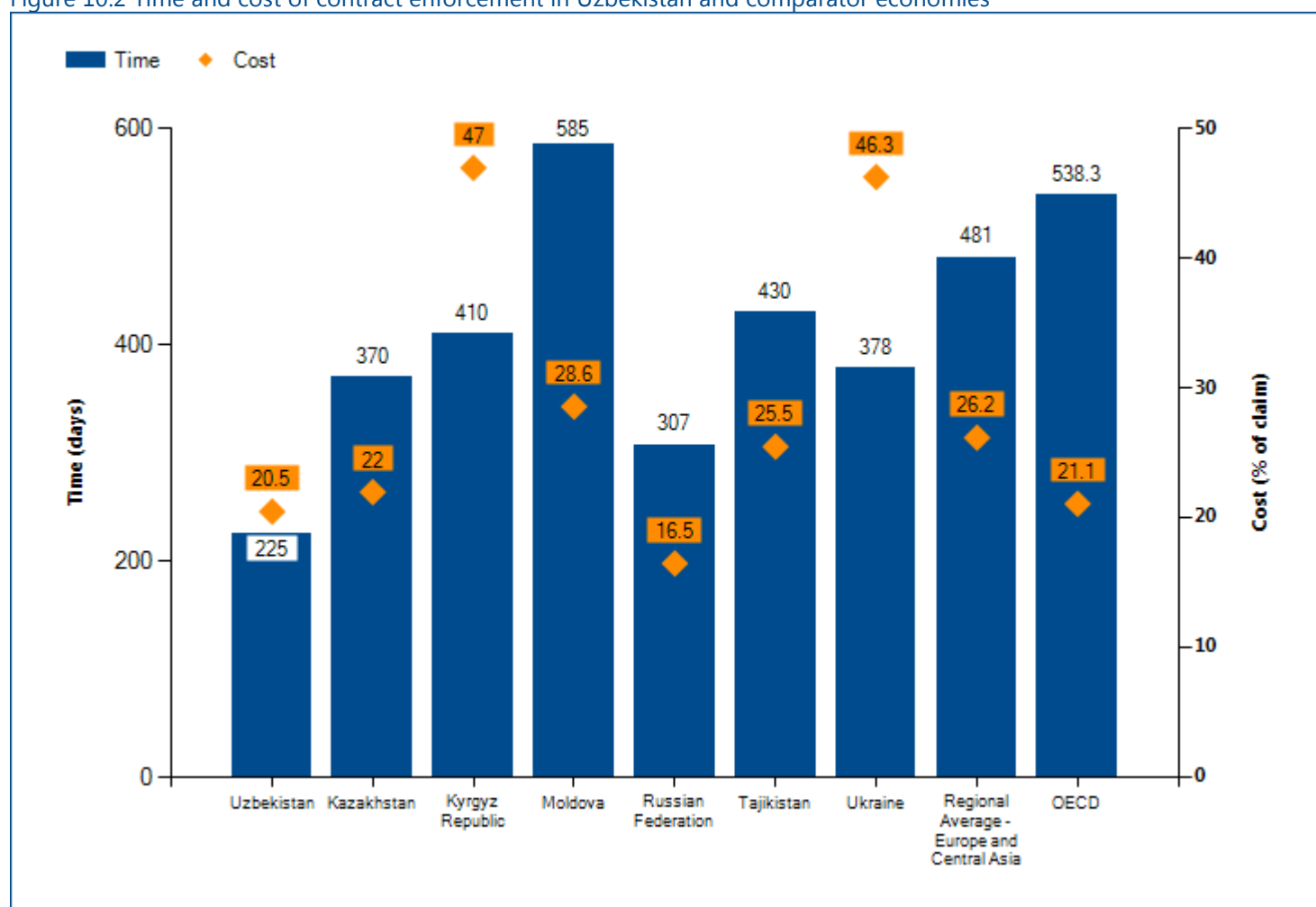
The data on time and cost reported here for Uzbekistan are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

ECONOMY DETAILS

Court name: Tashkent Commercial Court

City: Tashkent

Figure 10.2 Time and cost of contract enforcement in Uzbekistan and comparator economies



Source: *Doing Business* database.

Table 10.2 Details on time and cost for enforcing contracts in Uzbekistan

Indicator	Uzbekistan	Europe & Central Asia average
Time (days)	225	481
Filing and service	30	
Trial and judgment	90	
Enforcement of judgment	105	
Cost (% of claim)	20.5	26.2
Attorney fees (% of claim)	15.0	
Court fees (% of claim)	3.5	
Enforcement fees (% of claim)	2.0	

Source: Doing Business database.

ENFORCING CONTRACTS

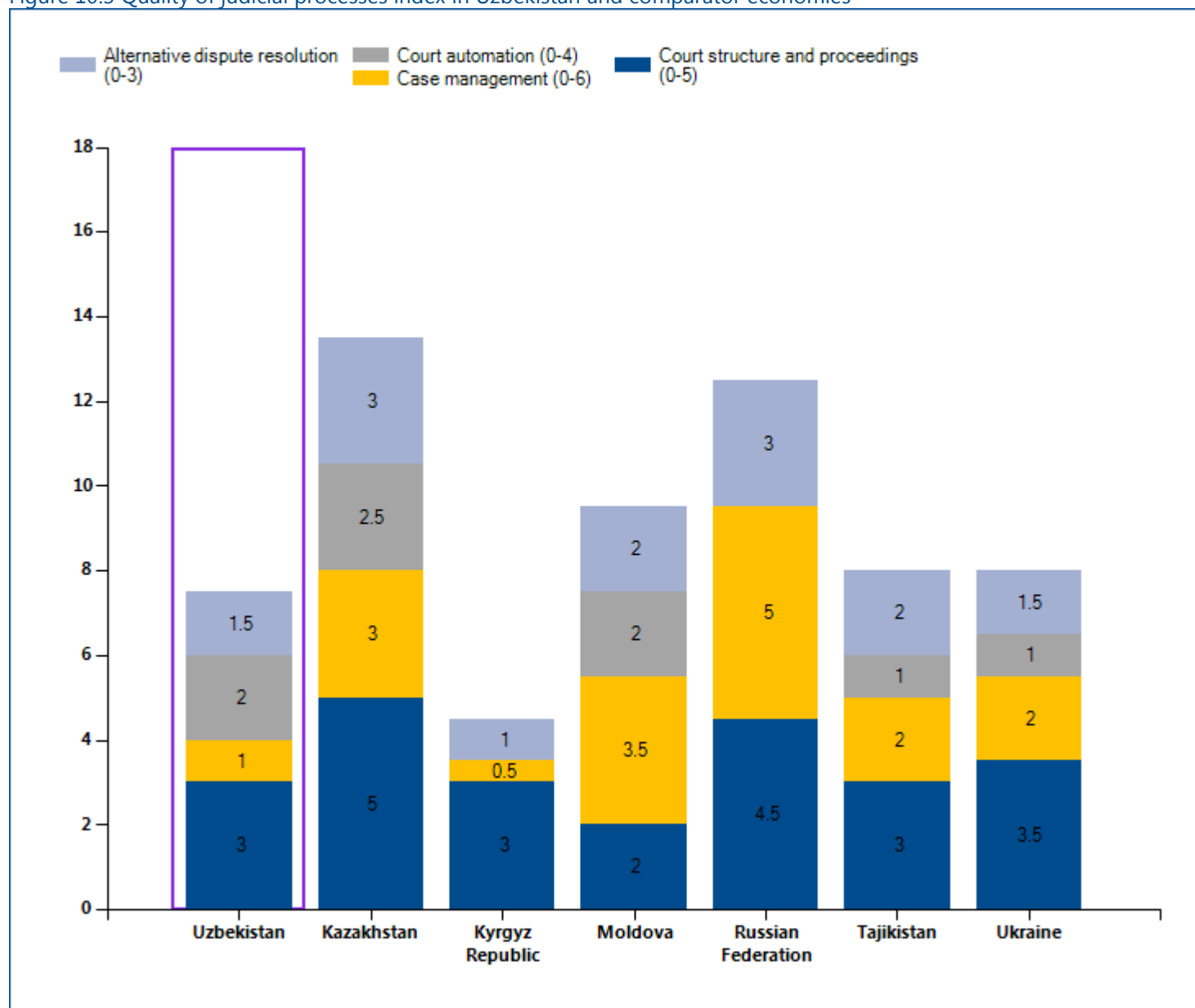
Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating more efficient judicial processes.

The scores reported here show which of these good practices are available in Uzbekistan.

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in Uzbekistan and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in Uzbekistan

	Answer	Score
Quality of judicial processes index (0-18)		7.50
Court structure and proceedings (0-5)		3.0
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5
2. Small claims court		0.0
2.a. Is there a small claims court or a fast-track procedure for small claims?	No	
2.b. If yes, is self-representation allowed?	n.a.	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes	0.5
Case management (0-6)		1.0
1. Time standards		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes	
2. Adjournments		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	No	0.0
4. Is a pretrial conference among the case management techniques used before the competent court?	No	0.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0
Court automation (0-4)		2.0

	Answer	Score
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	Yes	1.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0
4. Publication of judgments		0.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
Alternative dispute resolution (0-3)		1.5
1. Arbitration		1.0
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	No	
2. Mediation/Conciliation		0.5
2.a. Is voluntary mediation or conciliation available?	Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	No	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No	

Source: Doing Business database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index. The Resolving Insolvency indicators do not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

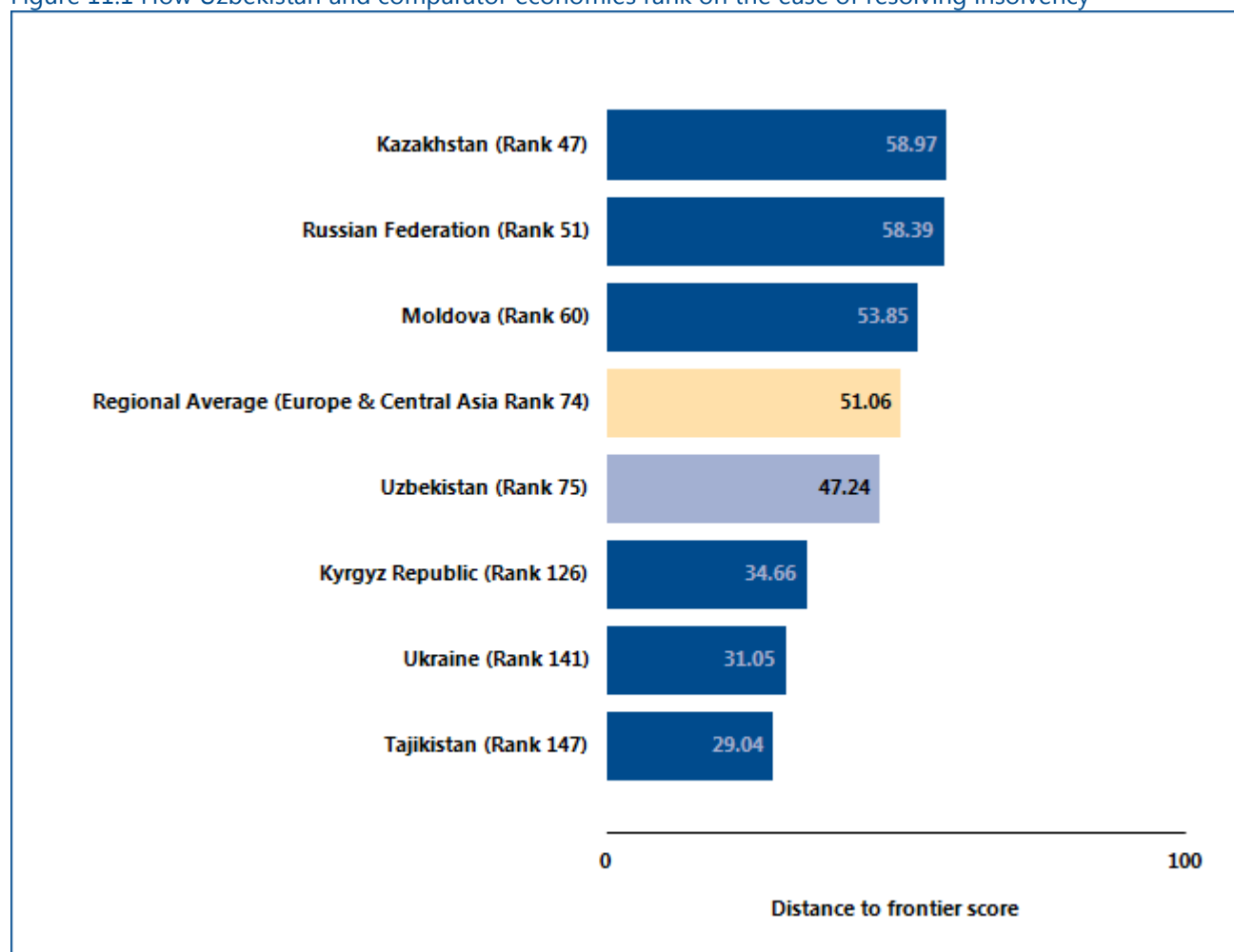
Where does the economy stand today?

According to data collected by *Doing Business*, resolving insolvency takes 2.00 years on average and costs 10.00% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 41.30 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Globally, Uzbekistan stands at 75 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1).

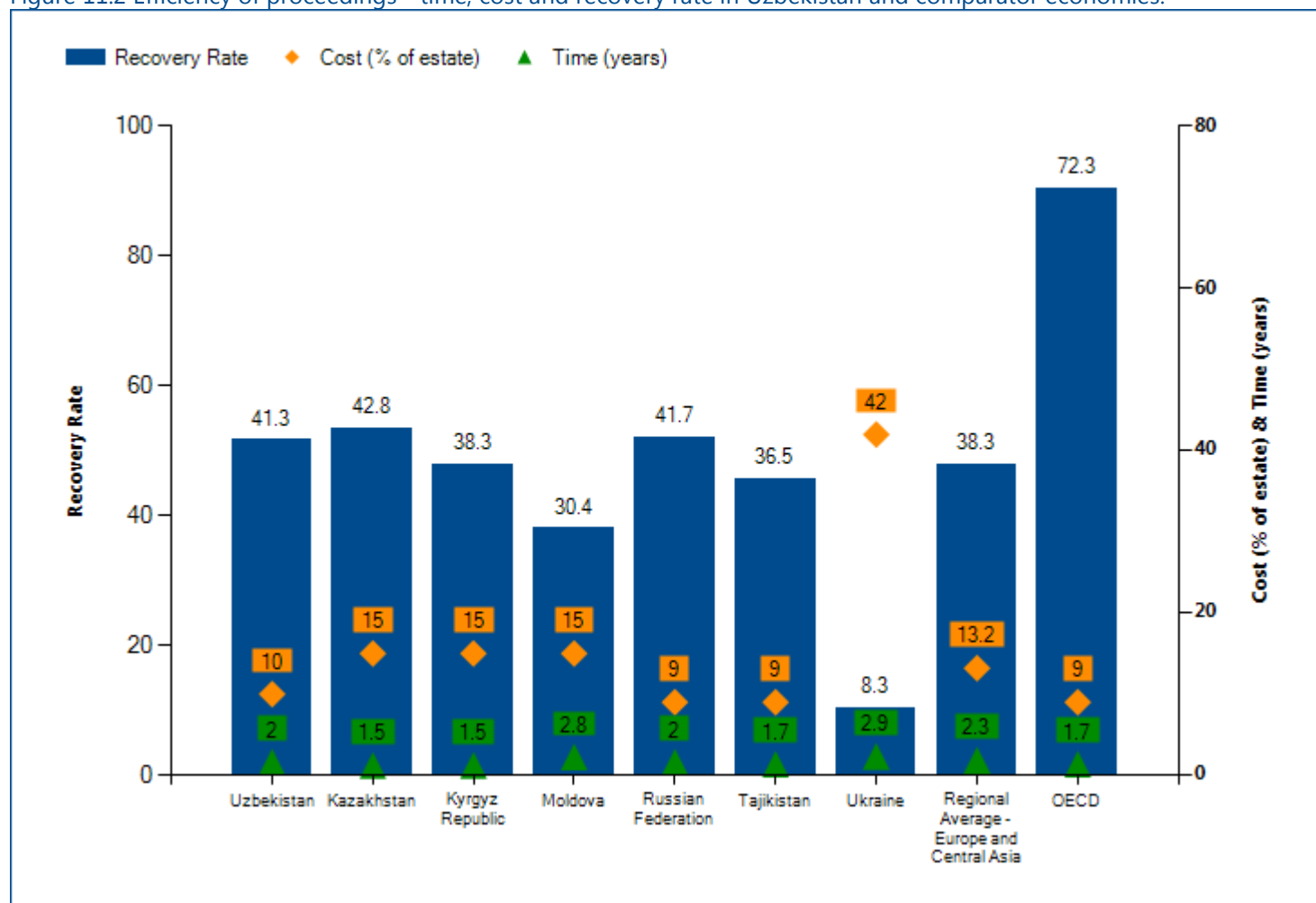
The resolving insolvency indicators are based on detailed information collected through questionnaires completed by insolvency experts, including lawyers, practitioners (administrators, trustees), accountants and judges. Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions. Data on provisions applicable to judicial liquidation and reorganization is based on the current law governing insolvency proceedings in each economy.

Figure 11.1 How Uzbekistan and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in Uzbekistan and comparator economies.



Source: Doing Business database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2014 lending rates.

Table 11.1 Details of data on efficiency of insolvency proceedings in Uzbekistan

Indicator	Answer	Explanation
Proceeding	liquidation	Liquidation is the most likely procedure, because there are several creditors involved. Reorganization is not often achieved in Uzbekistan for private companies, it mostly applies to companies with a share of state ownership.
Outcome	piecemeal sale	Hotel's assets are likely to be sold piecemeal, because it would be very difficult to find a buyer willing to purchase the entire hotel and continue operating it.
Time (in years)	2.0	After the Bank files the petition for liquidation of the debtor, the court will review the petition and initiate bankruptcy proceedings. The court will also appoint a liquidation manager, who will then take over the company's financials, publish notice of bankruptcy, receive claims from creditors, and try to reach settlements with creditors, whenever possible and prepare register of creditors' claims. The liquidation manager also must prepare an interim balance sheet of the debtor and present it to the creditors, who will have to approve it. The hotel will then go into liquidation. A public auction will be held to sell the assets, after which the creditors will be paid and the company will be liquidated. The longest part of this process will be the time it takes the liquidation manager to take over company's financials and prepare the interim balance sheet.
Cost (% of estate)	10.0	Total cost will be up to 10% of the value of the estate. Remuneration and fees of the liquidation manager – up to 3% of the value of the estate; Attorneys' fees (as attorneys are usually engaged by the liquidation manager to assist with the case) – up to 3% of the value of the estate; Fees of other professionals involved in the insolvency proceedings, such as accountants (as accountants are usually engaged by the liquidation manager to assist with the case) – up to 3% of the value of the estate; Auctioneer's fees – up to 2% of the value of the estate.
Recovery rate: 41.30		

Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Uzbekistan (table 11.2)?

Table 11.2 How has Uzbekistan made resolving insolvency easier—or not?
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
DB2013	Uzbekistan strengthened its insolvency process by introducing new time limits for insolvency proceedings and new time limits and procedures for the second auction and by making it possible for businesses to continue operating throughout the liquidation proceeding.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

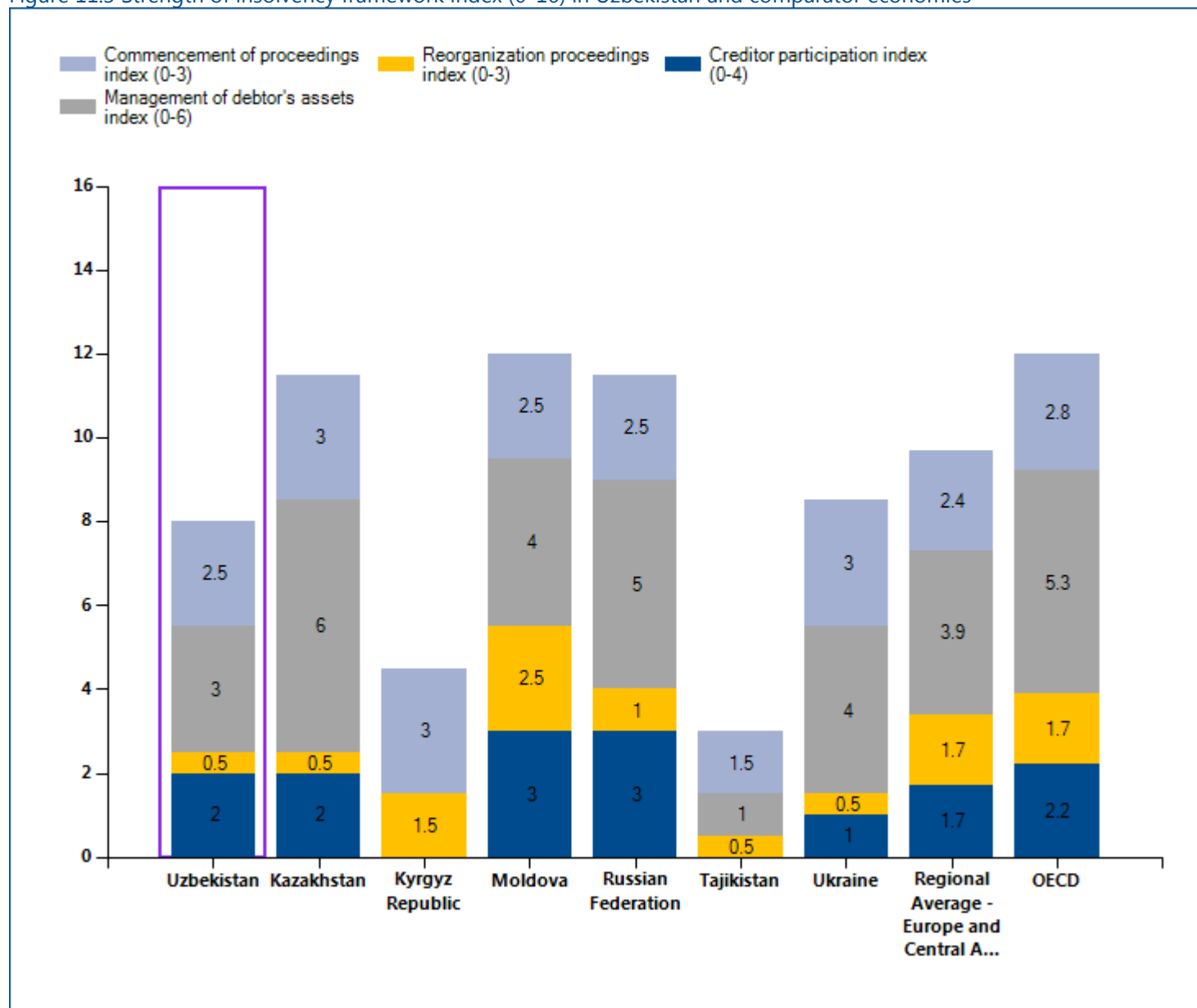
RESOLVING INSOLVENCY

Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. Uzbekistan's score on the strength of insolvency framework index is 8.00 out of 16.

Figure 11.3 Strength of insolvency framework index (0-16) in Uzbekistan and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.3 Summary of data for the strength of insolvency framework index in Uzbekistan

	Answer	Score
Strength of insolvency framework index (0-16)		8.00
Commencement of proceedings index (0-3)		2.50
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0
Management of debtor's assets index (0-6)		3.00
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	No	0.0
Does the insolvency framework allow avoidance of undervalued transactions?	No	0.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0
Does the insolvency framework assign priority to post-commencement credit?	(b) Yes over ordinary unsecured creditors but not over secured creditors	1.0
Reorganization proceedings index (0-3)		0.50
Which creditors vote on the proposed reorganization plan?	(a) All creditors	0.5
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in	No	0.0

	Answer	Score
the same class treated equally?		
Creditor participation index (0-4)		2.00
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	Yes	1.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	No	0.0

Source: *Doing Business* database.

LABOR MARKET REGULATION

Doing Business has historically studied the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. This year *Doing Business* has expanded the scope of the labor market regulation indicators by adding 16 new questions, most of which focus on measuring job quality.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Ten of the 189 ILO conventions cover areas now measured by *Doing Business* (up from four previously): employee termination, weekend work, holiday with pay, night work, protection against unemployment, sickness benefits, maternity protection, working hours, equal remuneration and labor inspections.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group, along with the methodology it proposed, is available on the *Doing Business* website at: <http://www.doingbusiness.org/methodology/labor-market-regulation>.

Doing Business 2016 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Uzbekistan are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; (iv) the ratio of the minimum

wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population), and (v) the availability of incentives for employers to hire employees under the age of 25*.

Hiring	Data
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	60 months
Maximum length of fixed-term contracts, including renewals (months)	60.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	124.3
Ratio of minimum wage to value added per worker	0.5
Incentives for employing workers under age 25?	No

Source: *Doing Business* database.

*A new question introduced in the *Doing Business 2016* report for the first time.

LABOR MARKET REGULATION

Working hours

Data on working hours cover nine areas: i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay)*; (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men*; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work*; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	Data
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	50.0
Premium for work on weekly rest day (% of hourly pay)	100.0
Premium for overtime work (% of hourly pay)	100.0
Restrictions on night work?	1.0
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	2.0
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	15.0
Paid annual leave for a worker with 5 years of tenure (working days)	15.0
Paid annual leave for a worker with 10 years of tenure (working days)	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	15.0

Source: *Doing Business* database.

*A new question introduced in the *Doing Business 2016* report for the first time.

LABOR MARKET REGULATION

Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Redundancy rules	Data
Maximum length of probationary period (months)	3.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	No
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	Yes
Third-party approval if nine workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	Yes
Priority rules for redundancies?	Yes
Priority rules for reemployment?	No

Source: *Doing Business* database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	8.7
Notice period for redundancy dismissal for a worker with 5 years of tenure	8.7
Notice period for redundancy dismissal for a worker with 10 years of tenure	8.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7
Severance pay for redundancy dismissal for a worker with 1 year of tenure	8.7
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	8.7
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7

Source: Doing Business database.

LABOR MARKET REGULATION

Job quality

Doing Business 2016 report presents, for the first time, data on 12 job quality areas: (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring, (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of maternity leave in calendar days (minimum number of days that legally have to be paid by the government, the employer or both); (v) whether employees on maternity leave receive 100 % of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) the availability of

on-the-job training at no cost to the employee; (viii) whether a worker is eligible for an unemployment protection scheme after one year of service; (ix) the minimum duration of the contribution period (in months) required for unemployment protection; (x) whether an employee can create or join a union; (xi) the availability of administrative or judicial relief in case of infringement of employees' rights; and (xii) the availability of a labor inspection system. If no maternity leave is mandated by law, parental leave is measured if applicable.

Job Quality	Data
Equal remuneration for work of equal value?	No
Gender nondiscrimination in hiring?	No
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	126.0
Receive 100% of wages on maternity leave?	Yes
Five fully paid days of sick leave a year?	Yes
On-the-job training?	No
Unemployment protection after one year of employment?	Yes
Minimum contribution period for unemployment protection (months)?	0.0
Can employee create or join union?	Yes
Administrative or judicial relief for infringement of employees' rights?	Yes
Labor inspection system?	No

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 14.1).

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*⁴. Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁵.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 of the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 of the *Doing Business 2016* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

⁴ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁵ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

Doing Business 2016 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

Current features

News on the *Doing Business* project
<http://www.doingbusiness.org>

Rankings

How economies rank—from 1 to 189
<http://www.doingbusiness.org/rankings>

Data

All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
<http://www.doingbusiness.org/data>

Reports

Access to *Doing Business* reports as well as subnational and regional reports, case studies and customized economy and regional profiles
<http://www.doingbusiness.org/reports>

Methodology

The methodologies and research papers underlying *Doing Business*
<http://www.doingbusiness.org/methodology>

Research

Abstracts of papers on *Doing Business* topics and related policy issues
<http://www.doingbusiness.org/research>

Doing Business reforms

Short summaries of DB2016 business regulation reforms and lists of reforms since DB2008
<http://www.doingbusiness.org/reforms>

Historical data

Customized data sets since DB2004
<http://www.doingbusiness.org/custom-query>

Law library

Online collection of business laws and regulations relating to business
<http://www.doingbusiness.org/law-library>

Contributors

More than 11,400 specialists in 189 economies who participate in *Doing Business*
<http://www.doingbusiness.org/contributors/doing-business>

Entrepreneurship data

Data on business density (number of newly registered companies per 1,000 working-age people) for 136 economies
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

Distance to frontier

Data benchmarking 189 economies to the frontier in regulatory practice and a distance to frontier calculator
<http://www.doingbusiness.org/data/distance-to-frontier>

Information on good practices

Showing where the many good practices identified by *Doing Business* have been adopted
<http://www.doingbusiness.org/data/good-practice>



Doing Business 2016 is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 189 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

www.doingbusiness.org

